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Government History Documentation Project  
Ronald Reagan Gubernatorial Era

ORGANIZATIONAL AND FISCAL VIEWS OF THE REAGAN ADMINISTRATION

A. Alan Post	Public Aims and Expenditure: A Divergent View
Warren King	Governor Reagan's Use of Task Forces and Loaned Executives, 1966-1968
Robert Volk, Jr.	Government Reform and the Maturity of the Political Process
Harry Lucas	New Approaches to Vocational Rehabilitation

Interviews Conducted by  
Gabrielle Morris  
in 1981, 1982, and 1983

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On behalf of future scholars, the Regional Oral History Office wishes to thank those who have responded to the Office's request for funds to continue documentation of Ronald Reagan's years as governor of California. Donors to the project as of March 1984 are listed below.

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## PREFACE

California government and politics from 1966 through 1974 are the focus of the Reagan Gubernatorial Era Series of the state Government History Documentation Project, conducted by the Regional Oral History Office of The Bancroft Library with the participation of the oral history programs at the Davis and Los Angeles campuses of the University of California, Claremont Graduate School, and California State University at Fullerton. This series of interviews carries forward studies of significant issues and processes in public administration begun by the Regional Oral History Office in 1969. In previous series, interviews with over 220 legislators, elected and appointed officials, and others active in public life during the governorships of Earl Warren, Goodwin Knight, and Edmund Brown, Sr., were completed and are now available to scholars.

The first unit in the Government History Documentation Project, the Earl Warren Series, produced interviews with Warren himself and others centered on key developments in politics and government administration at the state and county level, innovations in criminal justice, public health, and social welfare from 1925-1953. Interviews in the Knight-Brown Era continued the earlier inquiries into the nature of the governor's office and its relations with executive departments and the legislature, and explored the rapid social and economic changes in the years 1953-1966, as well as preserving Brown's own account of his extensive political career. Among the issues documented were the rise and fall of the Democratic party; establishment of the California Water Plan; election law changes, reapportionment and new political techniques; education and various social programs.

During Ronald Reagan's years as governor, important changes became evident in California government and politics. His administration marked an end to the progressive period which had provided the determining outlines of government organization and political strategy since 1910 and the beginning of a period of limits in state policy and programs, the extent of which is not yet clear. Interviews in this series deal with the efforts of the administration to increase government efficiency and economy and with organizational innovations designed to expand the management capability of the governor's office, as well as critical aspects of state health, education, welfare, conservation, and criminal justice programs. Legislative and executive department narrators provide their perspectives on these efforts and their impact on the continuing process of legislative and elective politics.

Work began on the Reagan Gubernatorial Era Series in 1979. Planning and research for this phase of the project were augmented by participation of other oral history programs with experience in public affairs. Additional advisors were selected to provide relevant background for identifying persons to be interviewed and understanding of issues to be documented. Project research files, developed by the Regional Oral History Office staff to provide a systematic background for questions, were updated to add personal, topical, and chronological data for the Reagan period to the existing base of information for 1925 through 1966, and to supplement research by participating programs as needed. Valuable, continuing assistance in preparing for interviews was provided by the Hoover Institution at Stanford University, which houses the Ronald Reagan Papers, and by the State Archives in Sacramento.

An effort was made to select a range of interviewees that would reflect the increase in government responsibilities and that would represent diverse points of view. In general, participating programs were contracted to conduct interviews on topics with which they have particular expertise, with persons presently located nearby. Each interview is identified as to the originating institution. Most interviewees have been queried on a limited number of topics with which they were personally connected; a few narrators with unusual breadth of experience have been asked to discuss a multiplicity of subjects. When possible, the interviews have traced the course of specific issues leading up to and resulting from events during the Reagan administration in order to develop a sense of the continuity and interrelationships that are a significant aspect of the government process.

Throughout Reagan's years as governor, there was considerable interest and speculation concerning his potential for the presidency; by the time interviewing for this project began in late 1980, he was indeed president. Project interviewers have attempted, where appropriate, to retrieve recollections of that contemporary concern as it operated in the governor's office. The intent of the present interviews, however, is to document the course of California government from 1967 to 1974, and Reagan's impact on it. While many interviewees frame their narratives of the Sacramento years in relation to goals and performance of Reagan's national administration, their comments often clarify aspects of the gubernatorial period that were not clear at the time. Like other historical documentation, these oral histories do not in themselves provide the complete record of the past. It is hoped that they offer firsthand experience of passions and personalities that have influenced significant events past and present.

The Reagan Gubernatorial Era Series was begun with funding from the California legislature via the office of the Secretary of State and continued through the generosity of various individual donors. Several memoirs have been funded in part by the California Women in Politics Project under a grant from the National Endowment for the Humanities, including a matching grant from the Rockefeller Foundation; by the Sierra Club Project also under a NEH grant; and by the privately funded Bay Area State and Regional Planning Project. This joint funding has enabled staff working with narrators and topics related to several projects to expand the scope and thoroughness of each individual interview involved by careful coordination of their work.

The Regional Oral History Office was established to tape record autobiographical interviews with persons significant in the history of California and the West. The Office is under the administrative direction of James D. Hart, Director of the Bancroft Library, and Willa Baum, head of the Office. Copies of all interviews in the series are available for research use in The Bancroft Library, UCLA Department of Special Collections, and the State Archives in Sacramento. Selected interviews are also available at other manuscript depositories.

July 1982  
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Gabrielle Morris  
Project Director



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## INTRODUCTION

The eclectic group of interviews in this volume serves to illustrate the varied and sometimes conflicting program philosophies and sources of information that Ronald Reagan had to call upon and deal with as governor of California. They include the long view of public administration expounded by Alan Post and Harry Lucas, who made their careers in California state government, and the equally strong views of Warren King and Robert Volk, Jr., whose experience had been rooted in the private sector.

Alan Post's interview was one of the first recorded in this project, to obtain a sense of the continuity of governmental concerns between the Reagan administration and earlier years, which Post had discussed in a previous interview on state finance in the Earl Warren administration.\* As legislative analyst for nearly thirty years, the mild-mannered, scholarly Post and his staff prepared the rebuttal to the governor's budget, which sets the stage for the annual debate between the executive and legislative branches of government on the amount and direction of state spending.

Post's reputation for searching commentary on the conduct and impact of state programs and for suggestions as to unnecessary expenditures was so great that, while Reagan was campaigning in 1966 on a platform of efficiency and economy in government, he declared that Alan Post should be his director of finance. Post declined, preferring the objectivity of the bipartisan analyst's stance. He did, however, provide an initial budget briefing for the incoming administration, saying to himself, "this is the best chance I'll have to get my licks in, knowing that people from the legislative side are usually persona non grata in the governor's office."

Although the executive structure in California is fragmented, he comments, the combination of appointive power, budgetary tools, and veto power make for a strong governor. In spite of this strength, Post suggests, Reagan ran essentially a negative administration, "following and exacerbating public reaction" on sensitive issues like higher education rather than "talking inside his office" to resolve the conflict, and appointing bodies that conducted studies but delayed action in such areas as local government and transportation.

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\*In California State Finance in the 1940s, Regional Oral History Office, University of California, Berkeley, 1974.

As governor, Reagan did make extensive use of select committees and numerous task forces to define and dramatize policy initiatives. The earliest and largest was the Governor's Survey on Efficiency and Cost Control (1967-1968), described in the interview with management consultant Warren King. King recalls that the governmental task force was a new idea for bringing business-sector expertise to bear on public administration when governor-elect Reagan encountered it at the National Governors Conference late in 1966. King had set up two previous task forces in the Midwest when he became consultant for the California survey. He recalls "sitting around the kitchen table having hamburgers in the old mansion with the Governor, [finance director] Gordon Smith, and [executive secretary] Phil Battaglia," discussing plans for the task force and how to adjust for the expected revenue shortfall.

Over 250 mid-level executives were recruited for the task force by members of Reagan's kitchen cabinet. Task force teams fanned out through all departments of state government to observe, query, and draw up over 2,000 recommendations. Many such recommendations, King notes, can be implemented administratively and move ahead rapidly; these he sees as more productive, in terms of task force time and talent, than reorganization requiring legislative action, which has "an incubation period of anywhere from two to ten years."

Information developed by the task force on staffing, function, organization, and potential savings was processed through the governor's office, which monitored an elaborate implementation program that continued for several years. The survey and its follow-up rankled some departments and their civil servants, as indicated elsewhere in the project. Others, as Robert Volk points out in the third interview in this volume, found them a source of useful ideas and reinforcement for plans they already had in mind. "I always stayed one jump ahead of them," he chuckles.

When Volk was appointed to head the then-division of corporations in 1967, he knew exactly what he wanted to do: revise the state securities law. As a young attorney, he was familiar with discrepancies between statutes in California and other states and the complications the differences caused in issuance of corporate securities. His recollection of drafting and passage of the new law indicates that he was also familiar with the process of putting together a coalition of support that enabled the legislation to be enacted in record time. The new code in place and the Department of Corporations established by 1969, Volk returned to the private sector and organizing and operating his own aviation firm.

It is interesting to note that Volk, King, and a number of others entrusted with considerable responsibility by Governor Reagan, were in their thirties at the time. "It was a whole new young staff," comments Volk. "I think it was very good for the state of California. One of the reasons for his [Reagan's] success was new blood and new ideas." And both of them mention contacts made while in Sacramento which ripened into friendships that still continue. In interviews some fifteen years later, they are personable, responsive, and clearly articulate the view that governmental units, like



other organizations, benefit from vigorous review from outside and can profit by adaptation of different management techniques. Consciously or not, they are part of an informal network from the gubernatorial years that is likely to be heard from for some years to come.

The Volk and King interviews provide valuable insights into the transfer of business management techniques into public administration, in which Governor Reagan was much interested. In contrast, Harry Lucas, like Alan Post, provides the viewpoint of the career government employee on how public programs operate. As former head of field services for the state Department of Rehabilitation, Lucas observes periodic changes in the governor's office and in directives from department heads with interest, obviously approving of Reagan's habit of going around to visit state employees.

Lucas notes that rehabilitation, like most human services during the Reagan administration, was the beneficiary of sizable increases in federal funding. In California, this was often directed toward vocational rehabilitation programs to enable handicapped persons to get off welfare rolls. Post in his interview refers to a need to re-examine state educational, correctional, and welfare programs to get people back into the system and to strengthen collapsing inner cities. Lucas provides a case history of such a process in describing his department's ingenious efforts to coordinate the variety of public and private agencies providing service to the handicapped, including community-based coordinating councils and cooperative efforts with schools, prisons, mental hospitals, and welfare departments. It is not clear to what extent these department-level approaches to efficiency and cost control were studied by the governor's office.

Lucas offers a striking example of the potential of such cooperative efforts in his description of the Berkeley project for which his department began support in 1967. Instigated by a handful of young people with severe physical handicaps, it provided residential, medical, and support services to enable them to enroll at the University of California. A separate project is being planned to document the later development of this movement toward independence for the disabled.

Single interviews, from one to two hours in length, were recorded with each of the narrators in this volume, all of whom were cordial and communicative.

Alan Post was interviewed on June 10, 1981, in a quiet spare room made available by the State Archives in Sacramento. The interview with Warren King was recorded several months later, on April 22, 1982, when an opportunity occurred to meet with him in his Chicago office, where his consulting firm had recently become a part of the A. S. Hansen firm. Robert Volk was interviewed on September 29, 1982, in his office as chairman of Martin Aviation, Inc., then located within earshot of the Torrance, California, airport. Harry Lucas' interview was recorded in his pleasant suburban Sacramento home on April 27, 1983, a month or so after his retirement from

the federal rehabilitation service.

Each narrator reviewed the transcript of his interview, making minor revisions and providing a few additional details requested by the editor. Post and Lucas were helpful with later questions concerning the project. King's interview appears as it was retyped in his office, with several incidental, bridging passages deleted. Additional material is included in each interview relevant to the subjects under discussion.

Gabrielle Morris  
Interviewer-Editor

2 March 1984  
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Ronald Reagan Gubernatorial Era

A. Alan Post

PUBLIC AIMS AND EXPENDITURE: A DIVERGENT VIEW

An Interview Conducted by  
Gabrielle Morris  
in 1981





A. ALAN POST

1972



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I RONALD REAGAN AS POLICYMAKER

[Date of Interview: 10 June 1981]##

The Governor, His Staff, and Decisionmaking

Post: To understand how Reagan would function as president, one should study his performance in California. I talked to people who were in the governor's office in order to find out how the governor operated, how he developed policy, who in fact developed policy for him. He had the reputation that as governor he had surrounded himself with strong and able people and would do so as president. He would listen, he would follow his advisors, and be effective even though he was not an intellectual, even though he worked nine to five, even though he would be the oldest man we have ever had as president. That really didn't matter if he was a good manager, if he had around him capable, energetic people whom he could direct effectively, because he did have an obvious capacity for directing and communicating.

So these were the kinds of things I was interested in. I talked to people who had been in the office and they said, "Well, it's very interesting how policy was formulated." I talked to George Steffes, for example, and George said, "A lot of us worked to resolve the problems before they got to the governor." The idea was to keep things off his desk, to keep the decisions as clear cut and as few as possible. Now, he said, that made life easier for Governor Reagan. He was able to handle the large mass of things that came along in a quite responsible way.

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##This symbol indicates that a tape of a segment of a tape has begun or ended. For a guide to the tapes see page 34.

Post: But, Steffes said, it had certain deficiencies. The deficiencies were that we made the decisions--that the secretaries around the governor would make decisions in culling out and trimming down. By trying to keep it simple, we may have made the mistake of not letting him make many of the fundamental decisions. In terms of responsible government, decisions ought not to be made to that degree by underlings. They ought to help, they ought to bring things into focus, they ought to observe and bring things up on the line, but they shouldn't make too many subsidiary decisions in order to keep the fundamental decisions simplistic, so to speak.

Morris: Did Mr. Steffes talk at all about how the staff would make the decisions?

Post: They would meet together regularly and they would decide what issues should be sent on to the governor and in what form. Now, in some cases they might simply sidetrack an issue and send it off to an agency and say to the department director, "Look, you handle this in such and such a way."

On the other hand, let's say there were four different points of view and they were reflected by what you might imagine, for example, would be interests that would emanate from Water Resources versus Fish and Game versus Beaches and Parks (actually, Steffes didn't go into it in this detail, but generally this is the way I understood it). They would have to weed out and they would say, "This is a good issue or this isn't a good issue. Beaches and Parks' position has got to be subordinated to Fish and Game, because politically this isn't going to fly" or "This is going to be embarrassing" or "I can well imagine that there might be problems of deficiencies in some area." They didn't want those weaknesses to surface, so they simply wrote those out and made the stronger case.

Now, in the meantime, that may have meant that a basic issue fell by the wayside. It was not resolved. It was not legitimized. If you were to look at the Reagan administration in terms of what was significant, I think you would have to look at those issues which were not addressed quite as much as those that were addressed.

#### Local Control and Regional Planning: A Confrontation

Morris: How did you line those up?

Post: At the time, for example, I was very much concerned with transportation. The governor took the position that transportation is a local matter. This is, I think, fairly sound with respect to planning--

Post: land-use planning--where in the '60s you set certain state parameters, certain broad statewide interest mechanisms, and then you let the planning and the decision-making on zoning and land use be made locally. That was the position taken by our office [legislative analyst] at least, and I think it was sound.

The same, however, is not true when you get to those matters which by their very nature are regional, and transportation to a very considerable extent is regional. Certainly in California it's regional. We're tied together with enormous systems of highways and they have to link in ways that support all aspects of life--industry, all economic aspects, social matters--because they do sever communities and so on.

So, while local input is extremely important, in the last analysis if you are going to have an effective transportation system and meet growing deficiencies, you have to look at it regionally. Now, the governor begged that issue by simply creating a study commission. Commissions are often simply instruments for delay, and I think the governor used that approach extensively. He would set up a commission, the commission would come in with recommendations and then he never did anything about it. Meantime, years pass.

For example, let's turn to another major issue, local government. In California, great changes were taking place in terms of relationships between all levels of government. The Nixon administration had moved to a strong policy of federalism, grants from the federal level to achieve certain national objectives. Now, the national objectives were largely to be carried out at the state and local levels. This brought into focus the question of an effective relationship between state government and local government, their capacity to finance those programs for which they were responsible, the structural organization for decision-making. We had some 6,000 units of local government in California--far too many. The real question was, "How should this be changed?" There is a great deal of merit that can be attributed to small units of government that have the capacity to interface and develop local wishes. You can't just superimpose from the top on down. Our Commission on Government Reform, the commission I chaired, adopted the basic philosophy that restructuring of local government should come from the bottom up.

Morris: This is the post-Prop 13\* commission?

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\*June 1978 initiative measure sharply limiting property tax revenues, overwhelmingly approved by California voters.

Post: That's right. Our idea was that you should establish structurally those kinds of mechanisms that would produce sound planning and sound proposals for integration of functions and reorganization of functions at the local level under a sort of modality or a pattern that would be established at the state level in order to reflect consistency on a statewide basis. That restructuring should then be done on the basis of plans that would be developed locally and reviewed by the local electorate. Presumably, then, there would be both a will and a financial capacity to make it work. It would take considerable time but in an evolutionary way it would be better and last longer than if you tried to set up criteria and impose them by state law from the top on down; standards at the state level, yes, but detailed mandates, no.

The organization that the governor created to study the local governments issue came out with a report. The governor didn't like it and he buried it. We had a hard time finding it. Our commission did get what evidences there were of it and we did use it in our own deliberations in developing recommendations on local government reorganization. But that is the sort of thing that took place too often with Governor Reagan.

Again, during the Reagan years, there was a commission formed to study taxation in its broad relationships and the controller, Hugh Flournoy, was chairman of it.\* It was in effect bombed by the Reagan administration when it came in and I know Flournoy was extremely disappointed. He felt that Cap Weinberger and others pretty well killed it off.

Morris: Was Weinberger a member of that commission, too?

Post: Yes.

Morris: Did Reagan appoint Flournoy to that commission or was it ex officio?

Post: I believe that he was appointed by the governor as chairman. It was called the Flournoy Commission. I talked with him about it afterwards. They came in with some very good recommendations for reforms in taxes.

The governor wasn't really interested in tax reform. He was interested only in taxes to the extent that he had to get them from time to time, and he did have to get, as you know, a lot more revenue.

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\*See Houston I. Flournoy, California Assemblyman and Controller, Oral History Program, Claremont Graduate School, 1982.

## II CALIFORNIA FINANCIAL ISSUES

### The "Property Tax Increase Act": Reagan's 1971 Budget

Morris: Some of the material that I have read sounds as if there were efforts to shift some of the taxation back to the local governments [as] one way to reduce the cost of state government.

Post: There was certainly a shift of responsibilities and costs to local government. But there wasn't that much of a shift of resources locally. That's what happened with respect to the property tax. You remember in 1971 I achieved some degree of notoriety when I was called, prematurely really, before the Assembly Ways and Means Committee within the first few weeks of the new year, before we had written our budget report and before the committee began its budget deliberations, to comment on the Reagan 1971 budget. In that budget he made major proposals without form, without specific proposed legislation, which would have required cutting something like \$750 million of program dollars out of subventions for welfare. He also proposed major undefined changes in mental hygiene, health and so on. These cuts were based on statements that the administration would submit legislation at some later date to achieve the actual cost reductions.

Knowing of the difficulty of doing this and knowing of the imperative to have some specific proposals in time for legislative decision-making, I made the comment that if the legislature put this budget out in the form in which it was submitted, it might well become known as the "Property Tax Increase Act" of 1971. Of course, that infuriated the Republicans. But the truth of the matter was that that's exactly what happened. The reason for my comment was that what they were doing was shifting to local government the responsibility to perform these functions, but they were not concurrently proposing legislation which would demonstrate clearly how they were cutting the program costs. There were, moreover, no proposals to provide the revenues to fund existing laws at the local level, with the result that the property tax (which was then not under the

Post: constraints of Proposition 13) would as it had historically done, rise to meet the need. And property taxes did rise, in 1971--something like thirty percent, I think--and they continued to rise.

As a result of all of this, in combination with the extraordinary rise in the sales prices of properties which led in turn to increased assessments for tax purposes, property taxes rose to meet the increased fiscal needs of local government and to a very considerable extent brought on Proposition 13. Reagan was able to save money at the state level by this device, along with greatly increased state taxes, ending up his administration with a half-a-billion dollar surplus. At the same time, however, we were increasing the burden so substantially on local government that we helped bring on Proposition 13. That's what I had reference to.

#### Imposing Tax Rate Limits

Post: So there was need for a constructive consideration of what the needs of local governments were likely to be. Instead, we gave them Senate Bill 90. Senate Bill 90 did provide more educational funds and some property tax relief funds, to local governments. But it also imposed the limit on tax rates that was the quid pro quo demanded by the governor for signing the bill. Senate Bill 90 also created some significant reforms. It certainly did increase property-tax relief, but not sufficiently. It did establish a basis for pricing out the impact of state legislation on local government with the corollary requirement that if you were increasing its costs, the state was obligated to reimburse it for that state-mandated increase.

This reimbursement was to some extent honored in the breach, but on the whole I think the state did pretty well. Not only were major proposals priced out. In fact, all costs were pretty well priced out as best you could. The Department of Finance had the statutory responsibility for doing this, and we also did it. So when a bill would come up before Ways and Means or the Senate Finance Committee there would be a local impact analysis. The legislative counsel would make the finding that such a cost effect would result. The Department of Finance and our office would then put the price tag on it. So you had both state costs and local costs assessed.

The question still remained, was the committee willing to actually put the reimbursement to local government in the bill. The answer was on most occasions yes, but in some significant instances no, and there was always a bit of an increment of cost that kept slipping through because it was determined to be not significant. Incrementally on an annual basis with thousands of bills, that slippage amounted to a

Post: significant amount of money. Over a period of years it was very significant, and this was a real concern of local government: that they were really losing ground and that they were strapped with the SB 90 tax rate limitations.

Now, tax rate limits by themselves proved, as you know, to be inadequate to keep down the property tax for the reason that land values escalated so rapidly that--

Morris: That's the local government's out as a way of dealing with it?

Post: That's right, that was its out, so that property taxes continued to rise and the SB 90 mechanism simply failed. It failed in many ways, as our office pointed out repeatedly to the legislature. It failed in terms of the specific programs in which you had attempted to provide some property-tax relief because those limits for the poor old people, for example, were expressed in fixed terms, i.e. a certain amount of family income, originally set at \$5,000, and then later raised to \$10,000. Now, if family income increased through inflation, you've got increasingly smaller amounts of tax reimbursement until, as inflation raised your dollar income, you were priced out of the program totally. You may not have had any more "real" income than you started [with] because of inflation, but dollar income would increase. Since the exemptions or the reimbursements were expressed in terms of dollars, you gradually fell farther and farther behind. So we had suggested that you index that aspect of the program so that property tax reimbursements would be increased as inflation eroded their actual tax relief. The legislature was willing to do that, but the governor never supported it.

I accused the governor during that period rather obliquely of "followership", as I called it, instead of leadership--that he was extremely astute in knowing and then following what people were thinking. But where we needed leadership to actually educate people, to lead people into right and correct thinking, the administration didn't do it.

#### First Encounters with Candidate Reagan, 1966

Morris: In the early days of the administration, didn't the Reagan people want you to be director of Finance?

Post: The governor did. He campaigned on that basis, as a matter of fact. He campaigned that I was going to answer the questions that were thrown at him about how are you going to do all of this that you promised to do? He was promising to cut the budget by a quarter of

Post: a billion dollars, and reporters were saying, "Now, where is your program for doing this?"

He would say, "There is a man in Sacramento whose opinion I value very highly, but who is not often followed, and his name is Alan Post, and he is the first man I am going to see when I come to Sacramento." He never said I was going to director of Finance, but he had emissaries like Deukmejian and others who came to see me who said, "Would I?" The governor would like to have me be his director of Finance. The governor made no bones about it. I didn't want to be. First of all, I didn't know him. I didn't have a great deal of respect for somebody who used my good name without ever having discussed it with me. Hugh Flournoy used to take my name in vain up and down the state, but Hugh would call me and say, "Alan, I am quoting you on this, and I am saying you are saying this." I said, "That's great!"

But the governor--not governor, but running for governor--was in effect saying that I was going to do what he was supposed to do. He never asked me whether I thought that was possible or feasible and, in fact, I didn't think at that point that it was feasible. In fact, if he had read our analyses, we were not going that far. We had talked about tax reform and so on and cuts in costs, sure, but not of the magnitude that he had talked about.

So yes, he did honor his promise that I would be his first appointment in Sacramento. He did call up when he was first set up over in the IBM Building. I went over and spent two or three hours with him, I guess, as I had done earlier with Governor Pat Brown when he was first elected and as I did subsequently with Jerry Brown after he was elected. I did spend hours with them saying, "I'm the legislative analyst, but at this point you are entitled to all of the help you can get, and I'll tell you where I think good policy will result if you establish the right kind of a program and the right relationship with the legislature and so on." So we did talk and I did most of the talking.

Morris: One on one or were there others there?

Post: There was one person present and that was the man who was his executive secretary, Philip Battaglia. I didn't get a very good impression of Battaglia in that meeting, but anyway it was primarily doing what I am doing here now, saying to myself, "This is the best chance I'll have to get my licks in, because I know that once you get going, a legislative analyst is persona non grata with most governors in the sense of being on the legislative side."



Morris: There is a tension between--

Post: There is a tension between the two and, in any case, there is a separation of powers and I stay out of the governor's office. I worked for the legislature. I made my recommendations to the legislature. I didn't in any way want to compromise the separation of powers. I tried to be constructive at all times. I tried to focus as best I could the legislative issues so that they would be consonant with, I think, executive aims--public aims. But I stayed away from the governor in all respects. In fact, I was never in the governor's office but one or two times in the twenty or thirty years I worked for the legislative analyst's office.

#### Implementing the Withholding Tax

Morris: From your vantage point, where did it seem that the financial and tax policy was coming from that became the governor's policy or at least statements?

Post: I always felt that the governor must have relied very heavily on two types of people. First, on his kitchen cabinet. Primarily that was Salvatori and the group out of Los Angeles with whom he consulted regularly. Secondly, he relied on the technicians who advised him on how to raise revenues with some input from some key legislators like Deukmejian and others who handled the legislation for him. I think that the political aspects of it he largely got from his cabinet, his kitchen cabinet. The technical aspects he listened to and bought were from those who told him how to get the most in different optional approaches, and what the aspects of different kinds of tax reforms were.

During that period, for example, the state moved eventually to withholding but only after he got over the political block of having his feet in concrete and then finally getting them out when it just became, after a couple of tax increases, inevitable that he needed a big chunk of dough. He didn't want to run on another tax increase. The painless way of doing it was to impose withholding, and it actually did provide an enormous amount of return.

The technicians talked him into going to tax credits instead of deductions. In fact, I think they misled him to some extent politically, from his standpoint, in imposing a much heavier tax burden on middle-income people than he ever realized or ever intended because of the inflationary factors that came along to some extent and had their impact, particularly with withholding, later on.

Morris: Withholding had been a battle for some time. Pat Brown tried to get withholding too. Were there legislative objections to it?

Post: Yes, and there was a very substantial objection from Alan Cranston, who was then controller. Cranston had a lot of influence, and he made strong arguments that it was inefficient and so on and costly. There was a very strong political argument that industry, of course, didn't like the idea of collecting the taxes. There was also a strong argument that people had the taxes taken away from them and then they only got it back later; and some of them went away and never got it back. So you were "stealing" from them.

The other side of that coin was that there were a lot of people with tax obligations who would leave and never pay. So you have escapement versus this idea of taking first and then giving back and getting a certain amount of slippage there and industry not wanting to have to collect. Besides, it improved tax enforcement. You pay currently--it's really a little better way of collecting taxes. It's a tighter way of doing it.

Morris: It improves your cash flow and other--

Post: Oh yes, of course, that was the main reason for it. It improved our cash flow.

Morris: When you say technicians, does this include professionals either in in the Department of Finance or out in the business world?

Post: Yes, both, but primarily within the tax agencies and the Department of Finance. But I think they talked him into some things like credits. They are the kind of people that always want to reduce capital gains, impose withholding and things like that, and credits; they were the ones who talked him into credits. I just think they, to some extent, did not foresee the impact themselves. But I think the governor is one who does buy technical advice and professional advice. He tries to stay within those political parameters that he set for himself. But then as a man who tries to get things done in a pragmatic way, he then within that relies, it seems to me heavily, on technical people, and professional people, and it's a pretty good way of doing things if your advisors are not some of the most short-sighted people in the business.

Remembering Cap Weinberger: Corruption and the State Board of Equalization

Morris: Where does somebody like Caspar Weinberger fit, as a technician or in the kitchen cabinet?

Post: I would say both. Cap is extremely smart, very knowledgeable, highly verbal, and also politically astute and ambitious. I think that he served as the Disraeli of this administration, as the president said when he appointed him Secretary of Defense, in terms of, I suppose, shrewd, pragmatic financial advice. ##

Morris: Back when he was assemblyman?

Post: Oh yes, he was the leader in that field. We worked very, very closely with him. We did all of his staff work. In fact, he had no staff for that committee responsibility and instead he used our office. We assigned Arthur Buck, who is one of the top people in my office to do most of the actual writing and I hired investigators during the liquor licensing and Board of Equalization reorganization [1953-1958]. I spent an enormous amount of time on it myself. We did everything from the ground up. We followed the Mafia. We found the illegal licenses that built the background for corruption and then turned it over to the attorney general for follow-up.

But what we also had to do in those days was to develop the motivation, the movement for reform. You don't get reorganization, you don't get organizational reform, ordinarily, without scandal, and here there was the basis for legitimate scandal. The real question was how do you find it, document it, and structure it, and then lay against that some sound proposals that were politically viable for reorganizing the Board of Equalization. You had a very tough nut to crack because not only did you have members of the legislature from former speakers on down involved in the corruption, but you had the elected members of the board involved to some extent, on the part of some of them at least, in the corruption. Board members were elected officials and did not want to lose the power that they had which derived from two sources, both tax administration and liquor administration. You had to overcome that.

There is still in America and in California a strong populist movement, the idea that public officials should be elected and that even there you couldn't trust an elected public official like the governor with administering taxes. It had to be fragmented. There was too much power in that whole area of taxes and in liquor to give it solely to the already powerful governor, who is a very powerful figure in California. So we had to get the corruption (which Cap was very astute in picking up), chase it down, find all the things

Post: that were wrong with the issuance of liquor licenses and then translate that into "Why does this occur?" It occurred because there was not a strong central responsibility that held public officials accountable. You didn't really know what was going on.

Now, if you had previously put it under the governor you would have known. The governor would have to take cognizance of that kind of corruption. He could be held accountable. It would be visible. When you fragmented it, it became invisible. So we followed that track. We then had to deal with the senate, which was a real tough nut to crack. I remember calling the governor of one of the states in the Midwest to find out how their reform had worked, in order to satisfy some of the key members of the senate that we were not creating a monster under the governor by doing this.

In any case, as a political compromise we had to create a separate, constitutional appeals board, as you may recall, for liquor so that a department could not have single control over the economically important California wine industry, which also is a home industry and a very politically powerful one.

So there were lots of these pieces, and Cap Weinberger did a fine job because he was extraordinarily capable in handling all these complexities and carrying it to the legislature. Thus, he brought that kind of experience to the Reagan administration along with a lot of savvy on fiscal matters. He had served on the Ways and Means Committee and mentally he is just like a sponge. He knew a lot and he gave the governor, I know, much good advice. But he also, I think, did whatever the governor wanted him to do. He was a good servant in that sense.

#### Improving Tax Administration: Creating a Department of Revenue

Morris: Was he also involved in some of these administrative reorganizations in relation to the--?

Post: General Services and also an attempt to reform the tax administration, which really didn't get very far for the reasons that I have elaborated with the State Board of Equalization and the Franchise Tax Board which is comprised of the chairman of the Board of Equalization, the Controller and the director of Finance. In California we do not have a truly strong executive structure, but because the governor has the budgetary tools in his hands and a great deal of appointing power, he is a very strong governor. At the same time, it is fragmented with an elected controller, an elected treasurer, and elected tax administration in large part, an elected attorney general and an

Post: elected secretary of state, which isn't really significant. But it is a fragmented executive structure which reflects what I referred to earlier as the populist movement, the Jacksonian populist movement in America.

Morris: There is a recurring idea that came up again in Reagan's administration to have a separate department of revenue.

Post: Yes. We had recommended that since 1945. Cap Weinberger picked that up, and we made a hard run at it. But again it floundered on the basic populist argument that the governor shouldn't have [control of] taxes and this present system is working. You had very eminent tax authorities like Dixwell Pierce, who had an axe to grind because he was executive secretary for the state Board of Equalization, and similar people for the Franchise Tax Board who opposed it on the grounds that, "We have a professional organization. We aren't Balkanized the way the legislative analyst says we are with different board members having different tax policies."

They did work hard to try to homogenize their tax policy after that, to try to make it uniform, so that in Mr. [William] Bonelli's district and Mr. [George] O'Reilly's district and so on, it would be the same, that you would treat people the same. Before that, you had not always done so. Your deposits that were mandated and things like that had varied to some extent. And being highly politicized the efficiency of administration in the field differed.

Now, our office had historically pushed hard for getting an integration of tax auditors in the field. We had run hard in two areas, one on improving the audit process by having careful studies of the return that you obtained from different levels of income, different occupations and so on, so that you measured regularly the input of cost of an audit against the output or return from the audit. Heretofore it had been done on an overall basis without any breakdown that stratified the kinds of tax audits made. They would simply say, "We get five dollars for every dollar of cost and therefore we need more auditors." We would say, "Now, wait a minute, you are getting almost all of that money from doctors and lawyers and so on and so forth. So what you really need to do is to stratify this and cut out those small gnats and lice audits except so much as you need them in order to make people audit-conscious. But hit the productive areas heavily, hit the nonproductive areas just enough to assure tax compliance, and really know what you're doing."

We worked with Ron Welch who was the head of the--I guess he was assistant secretary of the state Board of Equalization, very knowledgeable and very professional. They worked out a series of approaches in terms of stratification, along lines that people in my office had worked out as an argument for it, and it improved tax administration

Post: very greatly. So the board pushed that thing hard after we started going for tax reform in order to show that they were doing all of the good things.

Morris: Yes, to maximize return--

Post: Yes, that's right, to maximize the return under a system that by its very nature was not particularly efficient.

Morris: That's built into the nature of taxes, isn't it, in the Western world anyhow.

Post: I'm not sure I follow you.

Morris: That tax systems are not very efficient in a democratic--

Post: In the United States it is extraordinarily efficient. I was in Iran studying the tax system of Iran and I was working with two people, one who had been a former head of IRS and the other had been acting head of IRS. I was a third party primarily there on other matters, but I knew a good deal about local and state taxes, more than they did as a matter of fact. So the three of us looked very hard at the Iranian system.

The Iranian system was like the Dark Ages compared with the United States. We were regarded as a highly sophisticated, tough, don't-pay-your-taxes-go-to-prison system. We found that there had been only one or two cases where the prosecutor had ever taken any action with respect to Iranian taxes in a system that was just full of abuses of all kinds. It simply was not enforced. If you found that somebody was stealing, and there was a good deal of that that went on--and I'm speaking now of tax officials stealing--they simply moved them where it would be more difficult to steal. The taxpayer himself was never sent to prison or anything like that. The taxpayer simply had an arbitrary assessment made and that's the way they punished him. If you found that he had, as most of them did, two kinds of business--Let's say I'm a big businessman and I know that they're going to be monitoring my income from some source; so I'd take a job and identify that as my tax source. They'd monitor that and then I'd do all the rest of my business outside in a second or a third or a fourth occupation and that income escapes. That was the principal device.

So I (as an Iranian) let them make an arbitrary assessment and then I look at that arbitrary assessment and I figure up what I really owe. If the arbitrary assessment was substantially less (as it usually was) in relation to what I was actually earning, I just paid it. If it was a bad one, then I fought it. But generally they were skillful enough that people who made money--and there were lots of people who made lots of money in Iran--got away with it.

Post: Anyway, we are regarded as a highly sophisticated tax system, far more than probably anywhere else in the world, both in terms of our techniques the way I've described it [and] in the enforcement, which is the principal thing.

In Spain, for example, my friends used to never pay the taxes they owed. Now, this new administration is really cracking down. Previously you'd pay only a fraction of your taxes and you never went to prison for it. Cheating was just part of the game.

#### Reorganizing State Agencies: The Budgeting Process

Morris: Did the other agency organizational plans that the Reagan administration put in have any noticeable impact on cost of government?

Post: No, not really, nor were they intended to do so. When we got to that issue with respect to let's say General Services, that actually preceded the Reagan administration. That I guess was in 1963.

Morris: Pat Brown had started implementing an agency plan, but it didn't seem to get very far.

Post: That's right, he had the agency plan of three or four secretaries. Originally, he had four major secretaries like Agriculture and Business and Resources. He implemented that. They finally stripped it down to three, as I recall, instead of the four. It didn't do too much. It did some good things. For example, Hugo Fisher, who was appointed the secretary of the Resources Agency, did, I think, a good deal to integrate policies between Fish and Game and Water Resources and so on because he was a very smart guy and he worked hard at it. In other respects, it didn't do all that much. Corrections was being integrated pretty much anyway, I think by and large, and there were functional differences that you had to respect (the Youth Authority and the Adult Authority and so on) and our whole system was stratified around that.

But when Reagan came in, Reagan took it and used it as a basis for developing the budget. In other words, it was not so much involved with administration per se because the law was originally set up under a concept that these agency secretaries were not to assume any of the statutory responsibilities of their respective departments. They were not to usurp those. They were not to create a staff that would usurp those in any way. Those primary departments were to retain their statutory powers.

Post: Part of this stemmed from the very strong allegiance that these departments had with their constituencies. In Agriculture, for example, you have a myriad of programs that serve agriculture, either serve it in the way of providing things that are good for agriculture generally or on the economic side providing marketing devices that control prices and distribution and quality standards and so on.

The farmers did not want any "super secretary" intervening and disturbing their relationship with their man in state government who was the director of Agriculture. The same thing was true in the resources area where you had the Forestry people, a powerful lobby, and the Fish and Game people, a powerful lobby.

So this was agreed, that in the basic concept of the reorganization, what the governor was attempting to do was to reduce the span of control. There were too many agencies. He could not deal with them effectively. What you needed to do was to get it down to a manageable number of persons reporting to the governor so that in turn, then, this secretary was to be a middleman, a communicant, who would discuss the matters with the people in their respective statutory areas of responsibility and then come to the governor on a one-one-one basis and an even-handed basis, and say, "Here is what is going on, these are the problems, these are the things that need decision," and try to put it together.

Now, that's the way it basically worked. Reagan took that and said, in effect: I'm going to use this in terms of my strategy for reducing the cost of government and reducing the budget. So I want to go back to a basis of having the secretary held accountable for meeting with all of his constituent agencies and developing a budget in which he will impart priorities to their proposals. Then we will bring these into our office and working with the cabinet secretaries, we will develop the parameters of our budget around financial limits. We will try to put those together and then send the secretaries back to make the cuts in those areas that have been designated. They work it out with the priorities in their own areas of influence or responsibility.

So he used that constructively to build budgets in much the way that it is being done now, except that you have a different modality at the federal level. You have the total parameters being set by a budget and a resolution passed by the Congress and then within that they are now going back and trying to work out the specifics of the assignment of these cuts. They started, of course, with something that in theory we should have been doing in California, and to some extent were doing, and that was to develop some kind of factual basis for what the potential for reduction is.



Post: Now, the budget process in California developed by having each of the departments make its own specific proposals, generally a workload concept. It says, "This is what we now do, this is what the law now requires, this is what we will need in terms of the growth of those workload factors that apply to each of these things," and that comes up to the secretary now in the Reagan administration and then he carries that ball first to the governor's cabinet and then back for trimming as mandated by the governor's parameters for the total budget relating it to resources and possible tax increases and surplus and what other problems would result if we do this and that and the other thing.

Into that picture you have certain independent instruments. The University of California is represented by the president of the university and perhaps a regent or two. In the case of Reagan, you had his own lawyer [William French Smith] being a member of the board of regents and having great influence obviously and [Edward B.] Carter and other people like that, the superintendent of public instruction who came in as an independent, elected constitutional officer--I forgot to mention him earlier--as an independent fragmentation of the executive branch. So Wilson Riles would go in and lobby for what he thought was necessary in education. So the agency secretaries, the independent agencies, and the cabinet secretaries were the ones that really set the big pattern of the budget.

#### Working with the Legislative Leadership

Morris: You then wonder if those agency heads--were they the people who then dealt with the legislature?

Post: They have always been big in the picture. To the extent that they had access to the governor, of course, they would go directly. They would go to the legislature and the legislature obviously in those days had more influence because you had a Democratic legislature, a certain degree of independence--a very high degree of independence--and some very strong leadership, leadership we don't have today in the same degree.

Morris: George Miller, Jr. was chairman of your committee.

Post: He was chairman of the Senate Finance Committee and he was chairman of the Joint Budget Committee. His power really was [as] chairman of the Finance Committee. The speaker was at first Unruh, but then it was Bob Monogan who was a strong man, a Republican, who did work with the governor and was a help to him, but again reflected legislative and parochial interests to some extent unquestionably. The senate was stronger generally in those days. You had Steve Teale along with George Miller and people of that caliber. You had some very strong people.

Post: Now, Randy Collier, who was strong in the senate, became a Reagan man fairly early on and, although he was chairman of Finance, he was very sympathetic to the political aims of the governor and thought very highly of him.

Morris: Collier was a strong man in transportation.

Post: George Miller died in '69 and Steve Teale became chairman of Finance. That's right, and Collier later. Collier was always a strong factor in everything because he was a master politician and he was always there. But that's right, he didn't become chairman until later.

Now, Steve Teale was a good chairman. He was chairman of my budget committee, too, and was a strong man. Then he retired about the time that Grunsky came in. When was Collier chairman of Finance?

Morris: It would probably be about '72.

Post: I forget exactly, but Don Grunsky became chairman of my budget committee. Then he retired and was succeeded by Dennis Carpenter in about 1976.

### III STATE PROGRAM DEVELOPMENT, 1966-1974

#### The Governor's Use of the Veto

Morris: Was there any strengthening, would you say, of the kinds of programs that the governor's office was suggesting as they began to get some Republicans in leadership positions in the legislature?

Post: I'm really not aware of anything particularly. Frank Lanterman was a good and strong man in the assembly and was vice chairman of Ways and Means. He tried hard to assist the governor in his efforts. I think the governor got additional support.

What really happened was that the governor achieved great power in terms of his vetoes. If I were to research your question, which I should do because I get confused with the times and places, I would go back and look at the governor's vetoes. I would look at his messages to see what he proposed outside the budget. I would read the preliminary analysis of the legislative analyst and I would look at the governor's vetoes. Now, I remember that George Miller was absolutely furious with the governor because after the legislature worked all session to make a series of changes the governor went right back, without any change as far as I could tell, to his original budget by vetoing everything that the legislature had done. I would think that it would be interesting to look at not only the budget vetoes, but other major pieces of legislation in order to assess what I contended originally, [which] was the failure of the Reagan administration to deal with problems.

### Negative Administration versus Constructive Proposals

Post: I would start with the idea that we had evolving problems in California: What were they? What were the most important pieces of legislation or reports that came from the legislature on these problems? What did the governor do in terms of his own commissions if any and their reports and what did he do with respect to vetoing the legislation proposed in those areas? I think you would find that that would give you the pattern of the Reagan administration because the Reagan administration essentially was a negative administration. It was an administration that in effect said, "We don't want anything. We just want to get government off our backs. We want to cut down."

You couldn't buy the governor with favorite programs. He didn't have any. His favorite program was negative in character, and so he was striving to develop a legislative program to cut costs, because while he could cut costs and hold the budget back not everything was in the budget. That is where he finally had to learn to trade. By far the greater part of costs was determined by the provisions in continuing legislative acts. In other words, the apportionment programs for education, the eligibility requirements for welfare, the eligibility requirements for Medicaid. All of those are what really governed, plus the enrollment policies of the university and state college system which were substantial factors, but not as substantial as others. But you are talking about billions of dollars in higher education and much more than that in elementary and secondary education.

He had to get the approval of the legislature in order to cut those costs and he finally found that out. After some painful experiences of just cutting the budget and alienating the legislature, he became a diplomat and went in and fought for his welfare reform, his medical reform, and so forth.

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### Social Welfare: Redefining Need

Morris: Medi-Cal and mental health and welfare programs and reorganizations and emphases and whatnot--Are there some common threads that run across those?

Post: There are common threads in the sense that you are dealing with programs for the defined needy so that a person who becomes needy and becomes eligible for welfare benefits also becomes eligible for health benefits. So health and welfare are linked. There are other

Post: linked programs which fall outside that. There are programs where you have the indigents who are needy and who initially simply came in at the local level, but then later were recognized under a state program as being eligible for health benefits.

You also had those who were medically needy. I could be medically needy; you could be medically needy if you incurred substantial medical costs and if we weren't already protected by all kinds of insurance policies, which we are. But let's say that you weren't. You could be brought down to the point where you were not eligible for ordinary welfare benefits, but in terms of medical benefits you were needy. You couldn't pay the bill. It was George Miller's philosophy that you had to cover medically needy people, that the cost of medicine could become catastrophic. [The cost of] medical care was so great that you simply couldn't define it in an ordinary way as relating to those who had insufficient income to take care of their normal daily needs. So that falls outside of the ordinary category of "need." That program is not matched with federal funds. It is not part of the Social Security program in that sense and we [the state] pay for that.

But there is a common thread there. There is also a common thread in this sense, and this is one that I used to belabor as a legislative analyst in speeches and so on, that the governor in his proper concern for reducing the degree of--defined need, needy people, in California [as] 10 to 11 percent. I said, "That's too much. We really shouldn't have in a dynamic state 10 to 11 percent of people on welfare."

Now what do you do about it? The governor's programs would have redefined that need (and I think in many ways constructively) to make it more difficult for them to get on welfare or hopefully make it easier to get them off of welfare. Prior to the report of the governor on welfare, my office had prepared a report in which we defined the problem and came up with a series of recommendations that dealt with this. We did it in collaboration with Sacramento County which we used as the case load. Working with them we attempted to define carefully the nature of the problems, the degree to which they emerged in order to address this side of the problem: How do you cull out those who are not truly needy?

The other side of the problem that I started to allude to is that you should do things constructively which reduce the truly needy. You should re-examine our educational programs. Are they oriented toward reduction in need? We criticized the correctional program saying [that] it's almost criminal to put a person in a penal institution for an average of two three years and have him come out unable to read or write. What in the world are you doing while you've got that person as a ward of the state.

Post: It's a problem that still exists. They still do not adequately educate people so that when they come out they have a reasonable capacity to do the minimal things that are essential to act as a responsible citizen, get and hold an ordinary job. A lot of them can't read or write and certainly can't do it well.

So there is that side of it that I thought that Reagan should have given more thought to. In other words, on the one hand, reform--reform the excesses, the imperfections in the system in a constructive way, get people to recognize their responsibilities where they do have financial resources, responsible relatives, et cetera.

On the other hand, go at the problem of reducing the truly needy in California by a series of constructive proposals, proposals that will strengthen the collapsing inner cities, that will make education more practical and pragmatic for those who desperately need it, make it more universal. Although we have universal education in California, we also have a great number of drop-outs and we have the criminals and so on. We should be doing more in those areas to try to capture those people and get them back into the system, and there are ways of doing that.

#### Comments on Higher Education's "Open Door" Policy

Morris: It sounds like that would be added onto your educational and correctional system.

Post: That's added cost. Well, it's added but it's also reform. We are educating a lot of people in the wrong way. We are letting them expose themselves superficially to education in junior colleges or community colleges, for example, without really coming out with much of anything. They are killing time, a lot of people. The community colleges are too often grabbing for the dollars and they are not really giving the advice and counsel and training to people that will stop this revolving-door process and have them come out with something that is useful to them. If you don't know what to do, you go to a community college. You graduate from high school or you don't graduate from high school. You drop out of high school and by the time you reach the age where it is no longer mandatory to go to school, then you can go to a community college.

We don't have any threshold of competency. The "open door" theory of our master plan is a fine thing, but you ought to have some threshold of competency that is placed in that open door so that you don't just put people in who will roll out again, depreciate the quality of the classes for other people, and increase the cost of the system needlessly. So by reforming the system you could cut its

Post: cost without losing any of its intellectual and academic integrity as far as I'm concerned. There are far too many people who go to school without purpose today.

Morris: That is an interesting thought from the idea of the California system to give everybody who wants it--

Post: Well, it is and it isn't as far as I am concerned. I have tried to maintain that policy. I think that the open-door policy is a good policy, the idea that you have an elite institution at the University of California in order to economize on our resources for graduate and professional instruction and research. We made that decision early on. We don't want to have a lot of grade B institutions. We want to maintain the quality. Can we afford the quality if all higher education is grade A? No, we said, we can't politically afford the quality--politically.

So because California is public-education oriented, we have two vast systems. We carved out the role of the university as being that which would primarily conserve the research function. We left limited--very limited--research and, as you know, master's degree and instruction at the four-year state university and college system; and we kept the open door at the community college level. We said that a person who gets satisfactory grades after two years is eligible to go to the state college and university system, which is supposed to take care of the top  $33\frac{1}{3}$  percent of high school graduates, and then if he is well enough qualified he can go on to the university for the top  $12\frac{1}{2}$  percent.

So that open door was there. I think that open door should remain there. I think people should be able to go freely into the system of higher education. But I don't think you should be able to go until you are academically competent to demonstrate a benefit and then by staying two years in an adequate program qualify in turn for transfer to a four-year institution. There are always limits on an open door. You have to be able to walk up to and get through that door.

All I am saying is don't put a financial barrier, don't put an age barrier--that you're too old to go into the system--but do put a competency barrier because there is still a place for education of the unqualified. You can still go back to the high school and take courses and learn to read and write and do the things that show that you are competent to qualify for a community college, higher education. That open door is still there. It's up to you to invest enough time at the secondary level to walk through a door that is in truth applicable to the function that is served by that higher education institution. Now, that's all I'm saying, and that if I can't pass an entrance examination that shows that I am proficient, I ought to go back to the high school.

The University of California: Funding, Campus Turmoil

Morris: Alex Sherriffs was Reagan's educational advisor, do you remember?

Post: Yes, he was.

Morris: How did he respond to these ideas?

Post: He was very favorable, but he wasn't necessarily acceptable to the legislature. I think he was very influential with Reagan. Alex Sherriffs, I thought, was by and large a tough but competent individual who probably was as good a person under the circumstances as Reagan could have had. He was ambitious for himself, and I think that may have flawed some of his performance. But he was very knowledgeable, and he reflected some of the old-line thinking in the University of California. I think he reflected what Chancellor Strong would have been somewhat sympathetic to rather than Clark Kerr, who was a little more advanced in some respects than that. But times changed, and I think that Strong tended to reflect what may have been the proper course, actually, of a more disciplined demand on the part of students so that you didn't let things get totally out of hand. We were in a very difficult time, I admit that, and nobody really had the full answer. Deciding where you draw the line and how you maintain the line is always difficult. I used to talk to University of California people about that.

Morris: Frank Lanterman talked about, in effect, using the budget as a way to make some fairly forcible points about--\*

Post: There was some of that. I think it was just an interpersonal kind of thing. I was close to members of the university. I tried very hard, in every way I could, to keep the governor's militant stance with respect to the university from being translated into a legislative stance of similar type. I happen to believe very strongly that the University of California is a very delicate kind of organism that has its own self-governing mechanism. At the same time it does become involved in public policy in certain ways. It has to be made mindful of those, it has to avoid confrontation, and try to do what it has to do without getting hard-line reactions from the legislature and the governor.

I knew many people at the university. In fact, during those years, the university was trying to hire me.

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\*See interview with Frank Lanterman in California Legislative Leaders, vol. I (Goodwin Knight-Edmund Brown, Sr. Series), Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1980.



Morris: I can well believe it. To teach, I hope!

Post: No, but in the administration. I talked to them off and on about their problems and policies. I had been briefly in higher education, had gone through the system; and had my own feelings about it, and had my own concerns about it. So I used to talk to them, as I say, one-on-one with friendly advice. They came and sought it because I think they felt that I was a friend in court and was sympathetic. I knew Emil Mrak and a number of others very well. I knew Clark [Kerr] and the presidents of the university all through the years. We have been close personal friends. The Hitches [Charles J.] came and stayed with us and we stayed with them. Clark was always a good friend. We were both economists. I knew him well when he was chancellor. I respected him very much and was sympathetic to his problems and those of others in the university system.

So we talked freely about the governance of higher education institutions. It was one of our big issues. The governor was up on his horse riding hard and this concerned me. We were trying to find ways in which you could resolve a problem that was extremely hard to handle. The students just had the bit in their teeth and the young faculty had the bit in their teeth and they had legitimate social issues and some academic issues that were legitimate. But it's the kind of thing that we hadn't had to deal with before, and we just didn't quite know how to handle it.

Morris: I don't think anybody in the country knew how to deal with it.

Post: No, it was just kind of out of control and some did better than others--some people did better than others. Some people at Berkeley did better than others.

Morris: When you read day-by-day chronologies of that situation you get the sense that a lot of things happened because somebody wasn't there when they were expected to be or somebody thought a decision had been made and it hadn't.

Post: Or you didn't anticipate. This is what I used to say. You've got to anticipate. You've got to say "what if" and then, let's see where we are going to stand and then when you make up your mind where you are going to stand, you've got to stand firm. You've got to know what the consequences are, what the program is. They would tend to move to a position and then when it capsized, they would move to another position and that was bad.

And the governor was no help at all. The governor in this situation was by and large following and exacerbating the public reaction. It was a political horse that he could ride well, but it didn't help the matter any. Although he didn't do much of anything that was bad

Post: and he did finance the university adequately, in my view, under the circumstances, he talked a lot. That made it worse, that made the job of the administrators very difficult.

Morris: In other words, sometimes benign neglect is the way to deal with things?

Post: Well, yes, he could have sympathized a little more and worked with them one-on-one. What you've got to do somehow or other is work this out. Now, what he did internally, I don't really know, but publicly he should have lowered his reactions at regents' meetings. He should have done his talking inside [his office] and banged away at people there instead of going to a regents' meeting and instigating a turmoil on the campus. Maybe that was hard to avoid, but I don't think he handled that very well.

#### Federal Regulations and State Programs

Morris: Is this something that again has some applicability to other kinds of problems, some of the things that happened in the welfare and medical programs, that people didn't really realize what was going to be the outcome on this particular federal legislation or some kind of state legislation.

Post: That's what made his program difficult. I may have agreed with what he was attempting to do in many cases, but the federal law, rules, and regulations--HEW regulations--made it impossible, and you have to deal with those. Now, ultimately he did deal with it and he dealt with it rather constructively. But this is where we first got into our arguments with the governor saying, "You can't do that." He would say, "You're killing my program." We would say, "We're sorry, but we can't help it."

So he finally went back to Washington and he dealt one-on-one with Richard Nixon and he got California made an exception.

Morris: This was on--

Post: Welfare; on work and--

Morris: All the welfare--

Post: Some of them. The other issues went to the courts and were to a significant degree cancelled out by the courts. His work program which is a big deal now in Washington was a flop in California, and it was a flop because it was never carried out. The idea was a fairly

Post: reasonable one--to the extent you were able, you worked. All right, that takes a lot of careful administration. It takes a careful assessment of who can and who can't. It means that the local people who do this have to get some help, some financial help. He wouldn't give it to them and as a result nobody really participated. Nothing happened with the program.

Now, some people say, "Yes, but it was good because it was a statement." People said, "Things are going to be different." Bill Bagley says that was a significant change in attitude. But if you take the University of California's study of it (which is a good study, very objectively done), or you take the study made subsequently by the state Department of Social Welfare, you will find that there was almost no local participation and nothing happened.

In fact, people who were out of the program did better than the people who were in the program for reasons that I can't fully understand. Anyway, it was better to be outside of the program for some reason, maybe because they took certain kinds of people out of it that improved the universe. Otherwise, I don't know. But anyway, it didn't work and one of the reasons was that Reagan was not willing to put his money where his mouth was as the old coarse statement is. You need to implement, not just state policies, and he didn't want to put the needed dollars into the program. Local government was not able, under the circumstances, nor willing to fund the kind of administration that would have made people work. It took a lot of careful definition or classification, of assistance, of supportive devices.

Morris: It was kind of intensive work.

Post: Sure, you are dealing with people who are not accustomed maybe to working, who are not trained to work, who have no skills. So you are going to try and find skills to put them into. That is not easy. I tried to do that in my own office, to bring students in who were very talented but marginally skilled. You have to work at it. You have to get administrators to find a job for them, to monitor it, to train them. It's a totally different kind of thing where you are a super-numerary.

#### Judicial Appointments and the Courts

Morris: Maybe we could wind up with a couple of ideas as to who the people are that would be most important to get a reflection both of the governor's point of view and some of these issues of constituencies that you commented on.

Post: Yes, I also want to mention an area that I don't think has been touched on but I think is very valuable, certainly on this history and maybe in

Post: others, and that is with the judicial side of it. We're talking about three branches of government and part of Reagan's administration was exemplary in the early years particularly in his relationship with the courts. He is almost unique in having followed the formula for appointing qualified people to the bench.

Morris: That's interesting. He set up a new kind of impartial screening process?

Post: Exactly, and you really ought to talk to Ralph Kleps and to Bernie Witkin in Berkeley. Do you know Bernard Witkin, the legal scholar of California?

Morris: I haven't talked to him, but one of my colleagues has and his name turns up every time I turn around!

Post: He is the most knowledgeable man around probably, he and Ralph Kleps and Don Wright, about what happened in the court system in California.

I don't know whether this oral history has really covered the courts and the governors, but they should because it's in many cases extremely important. In the case of Reagan more so than in many other respects, partly because he expected the courts to do what he wanted them to do. He was just furious with Don Wright, who is a very close personal friend of mine, for not doing his bidding. He thought when he appointed him to the supreme court that he was going to be the conservative who would do all of the things with respect to the death sentence and so on.

What happened to Don Wright, being an intellectual, highly sophisticated and erudite man was to be persuaded to become a liberal by Ray Sullivan and other people on the court such as Mosk and what's his name--the other one who is still on there--Bird's chum [Mathew Tobriner]. Anyway, the labor lawyer. Reagan was absolutely furious with Don Wright.

But in the early years, and on the same basis on which Don was appointed, he used a standard qualifying formula. Ralph Kleps tells me this is almost unique in government. It turned out to be extremely good and it should be part of the record of the good side of the Reagan administration.

In his later years, out of frustration, he appointed some who were not qualified but who became pretty good because they reflected what Bernie Witkin will tell you is a balanced court which he feels so strongly about.

Morris: And they do have an effect upon each other?

Post: They do. For example, Bill Clark, who was totally unqualified, turned out to be a pretty good justice because he is an intelligent and thoughtful and well-managed guy who used his law clerks for the legal research in which he was deficient. You also found that Frank Richardson is a smart, balanced person who gave balance to the court. The black man who died--

Morris: The man from Oakland? [Wiley Manuel?]

Post: Right, [that] was a good balance.

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#### More Local Government Concerns

Post: And the League of California Cities has been such a strong and vital movement in California. Local government is the kind of thing that we drop the ball on to a certain extent, I think.

Morris: That relates to your whole concern about local government. Hale Champion, talking about finance in Pat Brown's time, said that he felt that was one of the things that Pat Brown's administration had not done what they might have, the cities and counties both.

Post: We kind of let the cities alone. The cities had their own sources of financing and we just kind of let them run. The state's involvement started only when cities began to have trouble from the migration from the central cities to the suburbs, and then later when the professionalization of society under this revolution in communication began to take place, and we began to change again the whole inner structure of cities. First there was the flow out to the suburbs and the problems of the void in central cities; now we have the inflow back to central cities of a whole new professional kind of society that is moving in to displace the low income society which came to fill the earlier void. The sources of revenue to fund cities, with the erosion of the tax base which accompanied the flow out to the suburbs, along with the high cost of financing the shift--those problems began to emerge. There was some recognition of it by the establishment of a commission back in Warren's day. We started to do something about it, but it never really did anything. It never came to grips with the issues, and the cities just kind of lay back. They didn't want the state telling them what to do.

The counties were our partners in business. They carried out the local functions for us, so we always had close relationships with counties. But cities--charter cities and so on--had their own sources of revenue. We gave them some added revenue with the cigarette tax.

- Post: But then all of a sudden they began to have serious problems and we didn't deal with it. To some extent, it became recognized by Reagan in that the governor formed that local government study commission. However, he never gave it any real, serious thought apparently. It just didn't do what he wanted it to do. He was looking for dollar cuts and the report wasn't that specific.
- Morris: If I tracked that report down, would it still be in the legislative analyst's office or would it be over here?
- Post: No, it's in the governor's office. There is a fellow, I think, by the name of Williams in the governor's office--Robert Williams is it?
- Morris: Jerry Brown's current office, yes.
- Post: We tracked it down. There was a book written by the former director of that study which he published under his own name. In fact, if you can ask the governor's office for the working materials that the Post Commission deposited with them, they will include the reports that were distributed to us that dealt with the local government issue. Then you probably ought to look at some of the recommendations in our report that deal with it.

These were written largely by Roger Anderman who came to our Commission on Government Reform as a volunteer from the city of Salinas. He did a wonderful job. I don't know what I would have done without Roger. He was by all odds the most valuable man I had. He was just like my right hand. He was really competent. He was director of development and planning for the City of Salinas. He was just tremendous.

#### Evaluating Various Public Servants

- Morris: You've really given me some very great leads and I've run out of questions. I hope I haven't worn you down.
- Post: Oh no, not at all. I'm just trying to think of other people right here or in San Francisco that could be reached that would be particularly helpful--I'm trying to think about who was it that was doing everything. Of course, you have already mentioned that you have a former vice chancellor. Alex Sherriffs was very close to the governor all along. The first director of Finance, as you know, was a disaster, Gordon Paul Smith. He's probably around, but I don't think he would be worth anything. The history of that was that he came in from Booz, Allen, and Hamilton. He was the \$100,000-a-year man that Reagan was looking for after I told him I wouldn't take the

Post: position. Smith took it. He was a kind of a lightweight guy who talked more than he thought. I liked him somewhat. I had met him on proposals and so on. He came in and told me what he was going to do. He said, "Any organization can cut 10 percent and I am just going to cut 10 percent across the board."

I said, "Gordon, don't do that, because you can't do that. You can't cut bond debt. You can't cut retirement obligations. There are lots of things in the budget that you can't cut 10 percent. That just isn't going to work here. So what you do is you set your sights on 10 percent overall and you make a lot of agencies cut 10 percent. Others you cut more than 10 percent. But you've got to use judgment as to what the capacity for shrinkage is. Some of them are policy and you can shrink a program. Others you simply can't cut because it's incorporated in law." But he did it--right across the board--and he just got murdered.

George Miller came out and said that this was the coupon theory, the 10 percent coupon. I had to take him on and say, "This is ridiculous." So the governor came in with a totally new budget within a matter of two or three months, a big budget increase, when it was pointed out by his own people that this just didn't make sense. So he fired Smith or at least he left shortly thereafter.

I don't think Smith could add anything really. That was the story on him. It was a total failure.

Then Cap Weinberger came in. Cap wanted it in the worst way. He came to see me and I said I couldn't help him much because I wasn't an intimate of the governor. But he did his own lobbying and he got the job and the governor was damn lucky because he is very competent.

Morris: I am interested that anybody would want to lobby for it. It's a powerful job, but also one with--

Post: Cap just couldn't stay out of government. He was a member of Heller, Ehrman, White & McAuliffe, a big firm in San Francisco, very prestigious. Earlier, he came to Sacramento as an assemblyman and he just did everything. He was just a human dynamo, really a whirlwind. Then he decided he was going to go up the political ladder, so he ran, as you know, for the attorney general and was defeated in the primary. So he went back to lawyering.

His firm said, "As long as you will stay with us, if you can get this political stuff out of your mind, we'll give you a partnership. But until you do, we won't."

Well, he worked with them, was made a partner and [was] doing very well. But he just couldn't stand it. He just wanted to get back into government. So he came and lobbied for that job. You saw what happened. After he finished that, he went to HEW. Then he went back to--

Morris: Was it OMB, Office of Management and Budget?

Post: Yes, FTC, OMB, and HEW. Then he went back with George Shultz to Bechtel. Cap was on my commission; he was vice-president of Bechtel, making a lot of money and living high in Hillsborough, and what happens? He goes onto the task force for Reagan and [snaps fingers] went back in again. He is a political animal. He just loves it.

Morris: Some companies seem to find that that's a valuable thing, to have somebody in their upper echelon who is--

Post: Of course, they [Bechtel] have George Shultz, the former Secretary of the Treasury. They are highly politically organized now, because they are a very substantial organization with political ramifications everywhere. But they aren't the ones that pushed Cap into it. Cap is just mad for government, the excitement of it. He just can't stay away from it.

Morris: He almost seems to have the kind of sense about, "I really want to make it work right." Organization seems to be what interests him.

Post: And he's good at it. He was good at the bureau of the budget and he was good at the Federal Trade Commission. He is a very, very capable guy.

#### The Academic's Role in Government

Morris: Where do these ideas come from in terms of what is going to be a kind of system that will work or how we are going to get a policy implemented? Are the ideas about reorganizing government and reorganizing budget procedures coming from the public administration schools and writers or are they coming out of the heads of people like yourself?

Post: Where did they come from or where are they coming from now?

Morris: Where were they coming from?

Post: Where they came from in the past was from academics and from our office and a limited number of professionals in the Department of Finance who were old pros and a few city officials who were directors of administration, say for the County of Los Angeles or people like that who were concerned with improving organization. We brought in, for example, if you look at the old reports of Weinberger, you will find a series of witnesses that will reflect really the best thinking of that kind.\* You find the chancellor--he retired as chancellor from Santa Cruz, Dean McHenry. McHenry was very helpful to us. He was then

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\*Probably for legislative committees on reorganization of the state board of Equalization or for creation of a department of water resources, which Weinberger headed while he was a member of the assembly [1953-1958], or for the Commission on State Government Organization and Economy [Little Hoover Commission] which he chaired in 1967.



Post: at UCLA and had written on California government--a political scientist and a good one and had been a member of Congress briefly and was very much interested in politics. Dean came up and worked with us as a kind of an informal consultant and we, in fact, hired him--Cap did--in a very limited way, to do some writing for us, and then later he was a principal witness. The UCLA school, to some extent helped. But Dean was very important to us. There were also a few people from local government, an occasional state person--a member of the Board of Equalization, who is now dead, was a tremendous help. He was the editor of the Woodland paper, Paul Leake. Paul Leake was worth his weight in gold because he was in the system and was a member of the board and he was straight on. But the help principally came from a few systems in higher education and a number of professionals, a limited number of professionals, who really were concerned about it, in Los Angeles primarily, and in Finance and our office, and that's about it.

You will find the same people popping up on all of those studies being the witnesses, as well as the Bureau of Public Administration at Berkeley.

Morris: That seems to be what it was invented for--

Post: Going back to Sam May and the people who followed him. Now, some were academic and very good, but academic and kind of reticent. Into that category falls the one who succeeded Sam May, I guess, Dwight Waldo.

Morris: Then there are some ideas working their way around through the national professional associations or do the ideas come from the outlying areas into the professional associations?

Post: I don't see much coming down.

Morris: Well, we seem to have run out of tape. Thank you.

Transcriber: Michelle Stafford  
Final Typist: Elizabeth Eshleman

## TAPE GUIDE -- A. Alan Post

Date of Interview: June 10, 1981

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tape 1, side B

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tape 2, side A

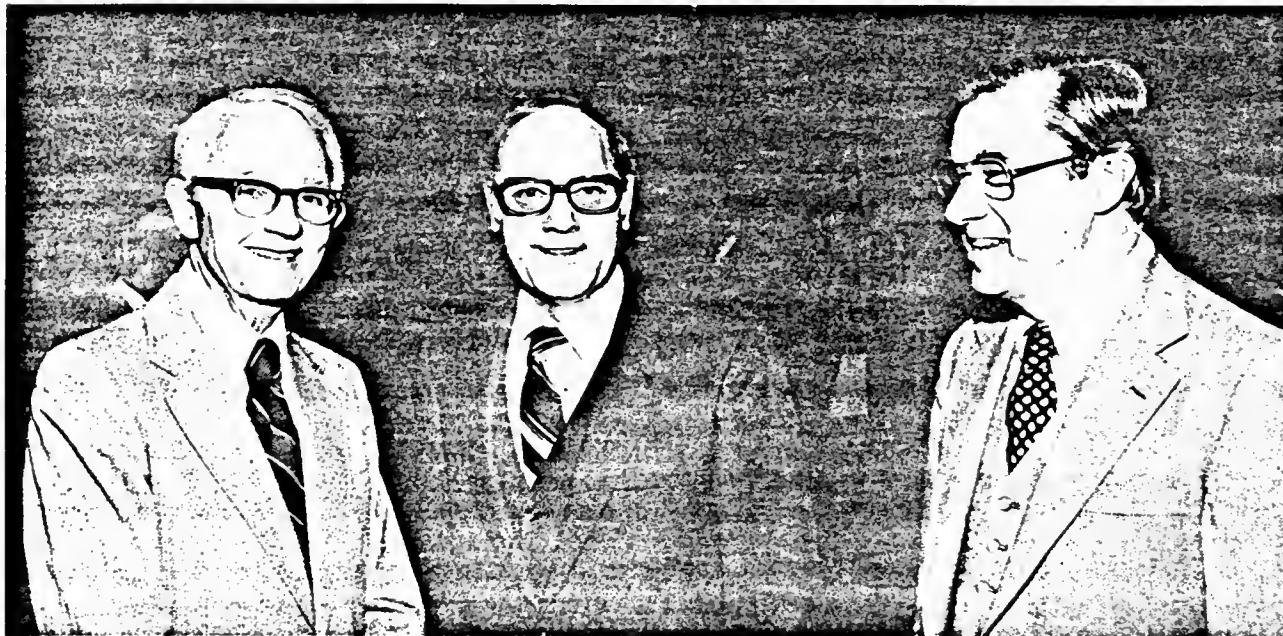
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tape 2, side B

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# Education And The Economy

Whittier College Newsletter, "The Rock"  
Spring 1981



Alan Post (left) with President Mills and Art Marmeduke, Director of the California Student Aid Commission.

**W**hile not exactly a prophet of doom, A. Alan Post, the third Nixon Scholar of the 1980-81 academic year, made no attempt to minimize the inflationary statistics that will affect all educational institutions in the decade of the 80's.

In all his public speeches and classes during his five-week stay on the campus, Post emphasized the stringent economics that will have to be faced at all levels.

As long ago as 1968, when he was the Legislative Analyst for the State of California (a post he held from 1950 to 1977), Post was appalled by the demands from Washington and the unseen costs that sent expenses for the state soaring. In 1950, the total annual expenditure was around \$1 billion, a sum that even 13 years ago would only support the state for around 10 weeks.

Since then the cost of education has grown rapidly, due to new and expensive programs made mandatory by statute laws, court decisions based on equal opportunities and innovative attempts to compensate for functional failures in educational performance. The state budget

for elementary and secondary education grew from \$1.2 billion in 1971 to almost \$6 billion in 1980-81, while the cost of higher education rose from \$163 million to well over \$1 billion.

The demands that are being made for education's share of the budget are heavily intensified by the amounts needed to maintain our prison systems (which will be expanded by new, tough laws), by the costs of mental hygiene, the welfare case load, and medical costs, all of which draw on state funds which cannot be cut to increase funds for education despite drastic endeavors. All these will continue to draw on state funding, and have, in fact, already exhausted the state's once huge surplus at the very time that revenues have declined due to income and property tax reforms.

In an endeavor to more nearly balance the budget, Governor Brown's recent proposals include the elimination of some 20 mandated or automatic increases across the board—not merely for education—and an increase of only one percent in total spending in the face of an inflation rate of over 11 percent.

"Education is constitutionally our number one responsibility, and is *de facto* the most important investment we can make in California,"

Post said, "so there is reason to expect some latitude, but there will be a hard fight to achieve any special treatment."

In a talk to the business community on February 9, Post stated that both prospect and reality would be characterized by turmoil and that the results of the Reagan Administration would differ markedly from what people have been led to expect. The President's promises of cutting programs and costs, reducing regulations and returning government to state and local control are more difficult to achieve than his speeches might suggest. "We cannot deny the seriousness and desirability of these programs," Post said, "nor that there is substantial support for them, but it is naive to gloss over the fact that one person's waste is another person's benefit."

An economist, an analyst, is inevitably faced with double columns, balances them against each other. This need to see two sides simultaneously seems to have become second nature to Alan Post. He stated that while regulations unquestionably are a burden to many businesses, they also provide monopolistic, highly desirable benefits to other segments of the same business. As examples he quoted:

*Natural fiber textile manufacturers, who seek to maintain restrictions on cheaper imports, while synthetics manufacturers oppose restrictions, fearing foreign retaliation against their highly competitive exports—*

*Truckers, who are generally opposed to further trucking regulations, while farmers and other shippers support deregulation—*

*The merchant marine, which wants a requirement that a fixed percentage of imports travel on American ships while major oil companies and other shippers oppose this restriction.*

"So it goes on," Post said, "not labor versus capital, not large versus small *per se*, but a complicated mix of interests."

It would appear that a sound pro-business approach would be an equally sound pro-consumer policy and also pro-labor. The question is,

how is such a viable policy constructed?

Post opined that it would certainly not be achieved by eliminating the Federal Trade Commission, Interstate Commerce Commission, and numbers of other business interest commissions as has been recommended. The suggestion has been made that the President build coalitions within each major industry, consisting of segments that have the strongest stake in economic growth and development. But since membership varies from industry to industry and small industry versus large industry, the former political analyst believes this would be extremely difficult.

The same problems apply to cost cutting, Post stated. He recalled the time when Ronald Reagan ran for Governor of California for the first time. He promised to cut the budget drastically. The first 10 percent cut lasted California two months and then added hundreds of millions and a \$1 billion tax increase. Post gave these statistics:

*The budget went up \$5 billion to \$10 billion during Reagan's eight years as governor—*

*Employees, counting those in the educational system, rose steadily—*

*Welfare grew by a greater percentage in the last month of his administration than in the month preceding his term of office, despite a determined effort to restrict benefits to the truly needy—*

*Taxes rose further than ever before in the state's history, with a five-fold increase in income tax and an increase in business taxes of between 5.5 percent and 9 percent—*

*Sales tax went up from 3 percent to 6 percent.*

The main reason for these increases was the growth in school budgets, the rising costs to the state for higher education, welfare case loads, and medical payments.

"With this as the record in California, what is different in the federal government to justify hope?" Post asked.



A. Alan Post in the classroom.

"There are major areas in which costs can be cut," he affirmed, "but they require legislation in cooperation with Congress. Social Security, for example. Twenty-five percent of government spending is for the elderly. It was a growing problem even in 1935, when there were 11 adults in the labor force for each person 65 or older. Now the ratio is less than 3:1. Productivity is down from a three percent annual increase in that year to 0.3 percent since 1973.

"The problem is political as well as financial, since almost 17 percent of eligible voters are 65 or older and with the relatively low percentage of eligible voters who actually go to the polls, that is a powerful bloc when galvanized on an issue critical to their livelihood."

Returning to the Sacramento scene, Post repeated that there is a real crisis, making cuts in programs for schools inevitable. This squeeze will be compounded by federal cuts in many programs, such as school lunch and special allowances for the disadvantaged. The cuts, according to Post, mean that more emphasis must be paid to basic classroom instruction and the elimination of overlap between high school and junior colleges, and in vocational education. In

the area of health, he said that we need to provide limited services with "reasonable cost" reimbursement to defined population on capitation fee basis under contracts, plus hospital cost control. We must also emphasize preventive medicine. These steps could both reduce expenditures and provide the same amount of care to the same number of people. Because these suggestions have been ignored, Post said we will now see services cut and people denied care.

Post criticized the methods used to bring the budget down, pointing out that the Governor's plan is to amend laws changing the effect of automatic inflation factors—payment to health and welfare recipients, medical doctors and many others. In all, some 22 changes in law, including education.

While not opposed to change, Post expressed the opinion that it would have been better to use organic reforms in the financing of education, medicine, pensions and highways.

"We are told that we must reduce federal budgets to control inflation," he stated, "but it is not clear which programs will bear the burden. It will not be defense. In all probability, public pensions, social security, inflation indexing formulas and federal education programs will be revised to effect some savings."

Post anticipates increased tension between the government of California and the legislature. In part because of the difficulty of choosing the 22 statutory changes proposed, but also because the Governor tossed the issue of inflation to the legislature without recommendation. His budget for increases to a host of public services consists of "nothing more than a \$500 million pot the legislature is instructed to divide among them. This," Post explained, "will be perceived correctly by the legislature as an abandonment by the Governor of constitutional responsibility."

Local governments will bear the principal burden of the reduced revenues from the federal government, from Proposition 13 tax losses, and in state subvention cut backs.

"Education will be hit by both federal and state cut backs," Post warned. "With 80 percent of funding supplied by the state now and only eight to 10 percent from federal sources, there is little local fiscal control and increasingly less policy control in schools."

Post summed up his prophecies:

"We are in for trying and turbulent years ahead. President Reagan always said he didn't



(Above) Helen Post has worked with all sized sculptures over the past 25 years, from a series on World War I helmets in bronze, to monumental architectural works like "Hydrokinetics III," located in the Teichert Building in Sacramento. Here we show her "Angel Jerry."

(Left) "The Dwarf," one of Alan Post's watercolors, was completed in their house in the small Spanish town of Benicasin.

intend to retire to an easy chair. He may very well have jumped on to a roller coaster.

"Governor Brown continues to read the public mind correctly, and will be at least moderately conservative. The Republicans, with more political power, will have the opportunity to act frugally.

"As for the rest of us—we will hope for the best and wish them all well. Patience, at least for several months, may also be the order of the day. For my part, I would like to see more attention paid to the recommendations of our Commission on Government Reform, and as the money squeeze tightens I think these recommendations will, in fact, and AT LAST, be given the attention they deserve."

Not only does Alan Post see two sides to every proposal, he actually has two forms of expertise, and the College recognized both. In addition to providing a platform from which the economist could address businessmen, teachers from surrounding high schools and junior colleges and campus groups, we also had the privilege of mounting an exhibition of his paintings and the sculptures of his wife, Helen.

Although they live part time in Spain, most of Post's work seems reminiscent of the French schools, and there is an economy in his watercolors which one might guess stems from his long involvement with budgetary concerns.

Even his affiliation with numerous organizations reflects both his interests. He has membership in the American Economics Association and the California Water Color Society; in the American Political Science Association and the Sacramento Artists' League; in the National Tax Association and the Crocker Art Gallery Association; he is on the National Committee for the Support of Public Schools and on the Board of Directors of the California Museum Association. From 1971-77 he served on the National Center for Higher Educational Systems, and from 1977-78 was on the Advisory Council of the Congressional Budget Office.

A. Alan Post is no newcomer to the national and state economic scene. His pronouncements must be taken for what they are, conclusions reached through many years of experience and expressed after much deliberation and from a vantage that can encompass many viewpoints.

And after the difficult and sometimes disheartening effort to comprehend the fiscal picture at national, state and even personal levels, we can find serenity in absorbing some of the peace that is manifested through his art.

D.L.

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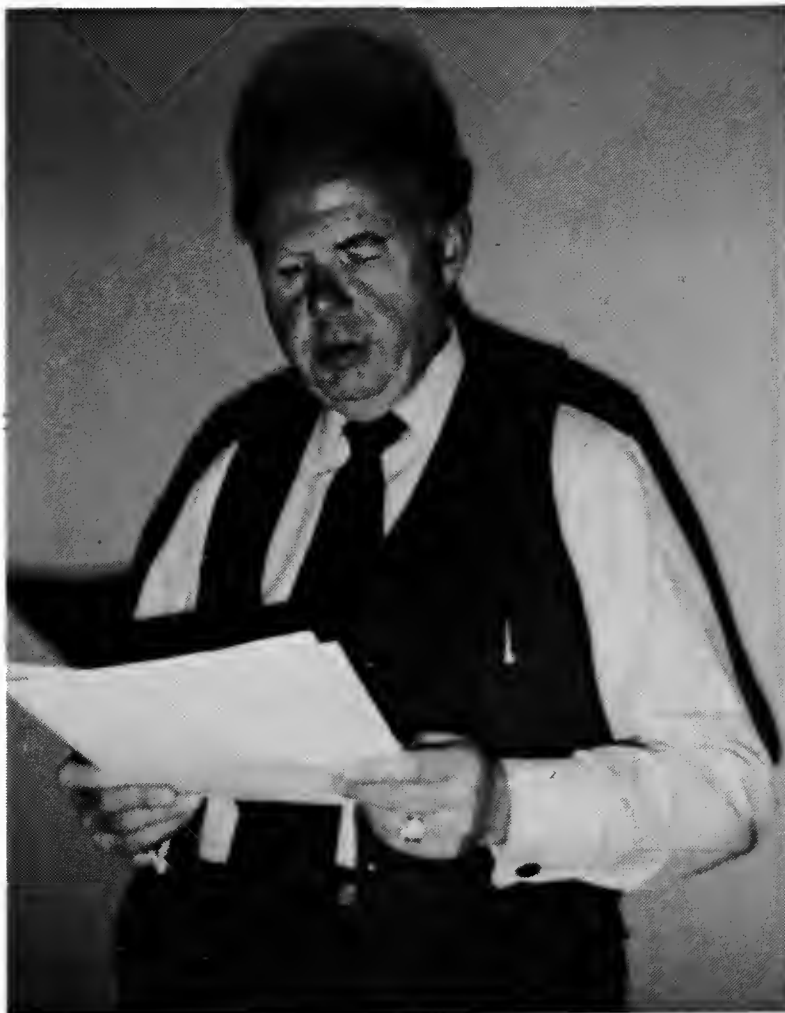
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Warren King

GOVERNOR REAGAN'S USE OF TASK FORCES  
AND LOANED EXECUTIVES, 1966-1968

An Interview Conducted by  
Gabrielle Morris  
in 1982





Warren King in his Chicago office, April 1982



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## I FROM METALLURGY TO MANAGEMENT CONSULTING

## Journalism and MIT

[Date of Interview: April 22, 1982]##

Morris: You said consulting work has been challenging and rewarding.

King: It's been great. I always wanted to be a consultant. To become one, I'm not sure there is a prescribed route. I started my career at the age of fifteen as an office boy in the editorial department of a newspaper.

Morris: Here in Chicago?

King: No, in New Jersey. It was a morning newspaper. I went to high school in the daytime and worked from four to midnight. This helped develop my writing skills. Since it was just before our entry into World War II, the young men on the staff were being drafted. So I gravitated into writing. The more mundane at first, obituaries. Then testimonial dinners and so forth. It really was a good experience. My father, who died in 1940, had always wanted me to go to MIT (Massachusetts Institute of Technology). I received an MIT scholarship allocated to New Jersey. However, I was only there six months before I went into the air force. Of course, when I came back in 1946, the benefits provided by the GI Bill of Rights were helpful.

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##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see p. 47.

I received my degree in '48 but had a change of career direction in the process. I started out to be a metallurgist because I was brought up in the copper industry. After three and a half years in the air force, I decided laboratories had lost their attraction to administration and management. That was what I wanted to do. At that time, MIT was just starting what later became the Sloan School of Management. (It was formerly Course XV.) It had a small portion of one floor off Dupont Court. We were fortunate to have a very talented head of the department, Erwin H. Schell. He had a broad management background. Even more important, he had broad acquaintanceship in business and industry and could draw these people in as lecturers. It was an excellent education because it combined business and technical courses--fifty percent in each area. Metallurgy was my technical portion.

When I graduated from MIT, I went with Alcoa. I was with them one short year but in the 1949 recession was laid off. It is a shock for someone with a college education, for that to happen. I was fortunate to become employed with Public Service Gas and Electric in New Jersey. I was with them three years, then with U. S. Rubber about a year and a half.

Morris: In what was then called junior executive training?

King: I was in a training program at Public Service Electric and Gas, but I worked as an industrial engineer at U. S. Rubber. Quite by accident, I next became an editor at McGraw-Hill.

Morris: On their business and technical publications?

King: Right. I went to work for a monthly magazine called Factory. I was with this publication most of the six or seven years I spent with McGraw-Hill, except for the last year. Then I was managing editor of another publication, Fleet Owner, serving the trucking industry. This all resulted from doing publicity for the MIT Club in New Jersey. One of the officers asked, "Where did you learn to write?" I told him of my newspaper background and he said, "I have a friend at McGraw-Hill." The next thing I knew, I was interviewing with them.

During my stay at McGraw-Hill, I came to Chicago for two and a half years as one of their field editors. Both Mrs. King and I liked Chicago very much. After we returned to New York in the mid 50's, we decided we'd rather live in Chicago. In 1960, I had an opportunity to enter consulting through the back door, handling communications for a consulting firm, which I did. This brings us to another example of how things happen.

I was with Ramond and Associates a little over two years. All consulting firms seem to have a dynamic leader. They certainly did. This was the man with extensive contacts, who quite frankly brings in business. We had one of the great consulting salesmen, John W. Roberts. John is retired now and is in his eighties living in Hawaii.

#### BRINGING BUSINESS INTO GOVERNMENT IN OHIO

King: One afternoon, he was playing golf with the newly-elected Governor of Ohio, Jim Rhodes. Governor Rhodes said, "I have thought a lot about the Hoover Commission, and how great it would be to organize a similar effort for the State of Ohio. In view of the deficits we face, industry managers could help update our methods and procedures to eliminate waste and duplication." As they talked, the salesman in John came forth, "We have a young guy on our staff who can organize the project, then help develop a final report. This man is also a great writer."

The next thing I knew, I was in residence in Columbus, Ohio.

Morris: Was Governor Rhodes a businessman himself before he became Governor?

King: Governor Rhodes is basically a public administrator. Before he became Governor, he was Auditor of the State of Ohio.

Before that, he was Mayor of the City of Columbus. He came up the political ladder.

Morris: A Republican?

King: Yes. This project was really not my creation. They had already started it.

Morris: From the Department of Finance or the state auditor's office?

King: The Department of Finance was running it. In fact, a fellow named Richard L. Krabach. Krabach is mentioned in the book, Reagan, A Political Biography, on the President's administration in California. Krabach was director of the Department of Finance for the State of Ohio. He had forty or fifty people on loan from industry reviewing department operations. They had also collected some money. But the project lacked direction, it lacked the discipline that you must have to ensure success. I soon learned I could use the process of developing a report to control the project workflow.

Morris: That's interesting; planning with the finished report as the end product.

King: Right. So we did some restructuring. I was fortunate that the chairman, Howard Bishop, had known me previously in

consulting. He was a vice president of the Youngstown Sheet and Tube, which no longer exists. He gave me a free rein. When I would discuss my plans with him, he'd nod his head and then back me up.

By September of that first year of Jim Rhodes' administration, we had a report. I have only one or two copies on our shelf in the conference room. It's fairly thick. When it was publicly released, it was well received.

Mr. Krabach was an excellent implementor. He put a blackboard-type device in his outer office to indicate the progress achieved by each department. Any newspaperman could come in and thumb through it and say, "Hey, why isn't so-and-so moving ahead with this?" So I learned something from Krabach. Public opinion is an effective motivating force.

At about that point, the consulting firm I was with was going through some soul-searching--they call it strategic planning today. In the process, the directors decided the public sector was not for them. So I resigned at the end of 1963 to start a new firm. Since then, I've read and listened to experts on how to start your own company. Well, I did everything wrong. I had no prospects, office,

telephone, or even stationery. I didn't have anything but an idea and a supportive family. Besides, we had very little money.

Morris: You had some good connections, however.

King: I had some connections, but I also had a restrictive contract with my former firm. For a year, I couldn't approach the State of Ohio and ask them for business. But we made it through the first year. In November of that year, Dan Evans was elected Governor of the State of Washington.

At about this time, a good friend, Tom Johnson, of the Ohio Manufacturers Association had made a speech to the executive directors of other state manufacturing associations to tell them of his experience with our Ohio project. The representative of the Association of Washington Business, Joe King, became intrigued with the idea. On his way back to Washington from the East, Joe stopped off in Chicago and we had breakfast at the Palmer House. He then invited me out to talk with Governor-Elect Evans and some of his key aides. That was how we obtained our first major state government assignment. Because of Krabach's experience, I invited him to the State of

Washington to make a presentation and draw on his experience in Ohio. This started a friendship which has gone on for twenty years. Krabach has retired, but we still maintain contact.

Morris: Did he join your firm?

King: No. But we did establish an excellent relationship. He was with the Rhodes administration for almost eight years, then became City Manager of Cincinnati. Although partially retired, Krabach went back to state government as Director of Administrative Services when Rhodes was elected to his third term in 1974. He still serves on the Ohio Board of Regents.

The Washington project was successful but not as productive as Ohio. We like to measure projects by the degree of implementation not on the beauty or size of a report. In the back of our booklet, The Task Force Approach\*, you

\*"The Task Force Approach. A results-oriented method for solving government problems based on private-public sector cooperation," Warren King and Associates, Inc., Chicago, 1980. Copy in supporting documents.



will see a chart indicating this fact. Implementation was not as good in the State of Washington as we would have liked. However, the Governor considered it successful and so did the business community. And this brings us to the Reagan connection.

## II THE REAGAN CONNECTION

King: Shortly after the even-year elections, there is a school for new governors.

Morris: This was in 1966?

King: Yes. The National Governors' Association sponsors this two- or three-day seminar, usually at a retreat. It is not well publicized. They discourage attendance or interference from outsiders. The sessions are closed and off the record because incumbent or former governors are really quite frank in their remarks.

The subject matter is basic. Governors who have not been in politics or held elective office can make very simple but costly errors.

At this affair in 1966 at the Homestead or the Greenbriar, Governor-elect Reagan met Governor Rhodes. By then, my year had been up and we had re-established a good relationship in Ohio. Rhodes had always been pleased with our work and he told Reagan about the Ohio project. Shortly thereafter, I received a call from Rhodes' office indicating someone on Reagan's staff would be in contact.

Morris: While they were still--

King: In transition, before inauguration.

Morris: But during this governor's school?

King: No, this was a few days after. I think the call came from Phil Battaglia, Governor Reagan's first chief-of-staff. He indicated a young man who had worked as an advance man in the campaign was coming East and would like to meet for a couple of hours. The contact was Robert C. Winzeler from the State of Ohio. We met shortly there-

after and I outlined how we could do a similar job in California. He then said, "Can I call California?" Bob called Phil from our office and we set up a time and a place for a session with Phil Battaglia in Sacramento.

I can remember it well because of the beauty of the California state capitol. I had visited a few others but I had never seen anything quite so impressive.

I stayed in the old Senator Hotel.

The Governor-elect had his transition offices on the mall leading into town, in the IBM building. I met most of the morning with Phil Battaglia and again went through the systems, procedures and methods. We discussed how to get people involved, how to get the job done and how to motivate the loaned executives.

Morris: What was your opinion of Mr. Battaglia at that point, his understanding and familiarity with the government process?

King: I was highly impressed with Phil. It's a long time ago. I remember him at about eleven o'clock saying, "I want you to have lunch with Cap Weinberger." Weinberger was not officially in the administration and I went over to-- the Sacramento Club?

Morris: The Sutter Club?

King: Yes, that's it, the Sutter Club, and had lunch. Weinberger had been asked to study the organization structure of state government at that time and had a group with him. We had a fine luncheon. After that, I checked back with Battaglia and he said, "The Governor will be available at about three or four in the afternoon." So I spent probably an hour or an hour and a half with Governor-elect Reagan. At the end of that period, he said, "let's go."

He said, "What do we have to do?" I said, "Until you get sworn in, there's not much we can do!" But I said, "I will give you a two-page letter that tells you what I will have to do as soon as you are in office, what access I'll need to budget material, organization charts and so forth. This will let us put together a detailed plan of action."

I went back home delighted. Then, one night during Christmas week, I had a call from Bill Clark who was, I believe, in charge of the inaugural festivities. He asked if Mrs. King and I would like to come to California for the inauguration. We declined but it was very kind of the Governor to remember us.

Shortly thereafter, I started to work with Jim Dwight. Jim was the Assistant Director of Finance. But I can't remember the name of the director.

Morris: Gordon Paul Smith.

King: Yes, Gordon Smith. He had been with Booz, Allen and Hamilton.

Morris: Right, had he had any experience with your task force approach?

King: No, he had not.

Morris: Booz, Allen hadn't done anything similar?

King: No, and to my knowledge, Booz, Allen still has not done anything like it successfully.

### III GOVERNOR'S SURVEY ON EFFICIENCY AND COST CONTROL

#### Transition Budget, Survey Planning

King: I went back to California with my partner, Jim Newsome, who is now retired. We studied budget documents, organization structure and other relevant, available data.

Morris: Which had been prepared by the previous administration?

King: Correct. We were interested in the situation as it existed--the deficit, the problems and so forth. But we were even more interested in trends over the previous five-year period. We wanted to find out what had happened to state government. Of course, you had explosive growth, people-wise, money-wise, employees and everything else.

Morris: That had been going on pretty much since the 1940s. That's the California story.

King: Based on our findings, we outlined how we would approach the project. We actually subdivided state government into six groups, then assigned each to a task force team. We also determined what management expertise was needed to staff the teams, what time frame was required to complete the various phases (planning, organizing, evaluation, documentation, and finally, preparation of the final report). Jim worked out everything in detail including a table of organization which specified the number of people needed by occupational skill. We still do this.

Morris: For the task force?

King: Yes. We just didn't say, "We need a hundred people." We specify, fifteen accountants, a certain number of industrial engineers and so forth, right down to vehicle management and telecommunication specialists. If you went to companies and asked for a loaned executive, there was, and is, a fifty percent chance you'll get an accountant or a personnel man. We need more varied skills than accountants and personnel people.

There are always questions that come up during program start up, "Is this going to look like business is trying to run government?" We steered away from that by saying, "It's a management study. Anyone is welcome to participate--the unions, providing they give us a manager. If the church gave a financial specialist, we'd be happy." In later years, this has encouraged support from the steelworkers and autoworkers unions who have excellent industrial engineers.

Morris: Really? Was there any of that in California?

King: I don't believe there was. However, Doug Fraser was on the board of directors of our Michigan project. Also, the head of the AFL-CIO in the State of Michigan

served on that board. The steelworkers gave money in Pennsylvania. We've had two sisters working with us in Louisiana. As long as they have management expertise.

Morris: What is another concern?

King: Conflict of interest. You can't have a banker studying the banking commission or a telephone executive studying the public utilities commission. You have to be very careful. Shortly after the start of the California study, Willie Brown raised this point.

Morris: I was wondering where the legislature made itself known.

King: Willie Brown, as you know, was not in a key position at that time.

Morris: He was chairman of the Assembly Ways and Means Committee, I think, or soon was to be.

King: Was to be, I think. We released to Willie the company affiliations and the assignments; made it public. There was nothing to hide. This cleared up any question immediately.

Morris: Did you have any kind of advisory group, or that kind of contact, with anybody in the legislature?



King: We had contact with the legislative leadership. We do in every project. But it's not a constant contact. The legislature is usually pretty busy and doesn't want to get involved until you've got something specific. In our experience over twenty years, about eighty percent of our recommendations do not require legislative action; only twenty percent do. The eighty percent can be put into effect by executive or administrative order.

Morris: That sort of runs into the classic dynamic between the executive and the legislative branches. At that point in '66, you had a man named Jesse Unruh as speaker of the state assembly. What kind of contacts did you have with him or his staff?

King: Our chairman maintained that contact. The chairman, Ken Pryor, has passed away now. The role of Warren King and Associates is that of a project manager. We're the hired foremen, you might say. We manage the project with low visibility. We want the local representatives of business to be visible, the Ken Pryors, the vice chairmen Holmes Tuttle and Justin Dart, and team leaders. We maintain a low profile and get the work done.

Morris: How much involved were Tuttle and Dart in this study?

King: Very involved at the beginning. After we developed and documented the plan and the Governor approved it, they assumed leadership roles. We had two luncheons, one in San Francisco and one in L.A. We made presentations to the business community, told them what we were going to do, and what we needed from them in terms of manpower and money. I'll never forget how Holmes Tuttle circulated throughout the room, gathering up the commitments. He made a tremendous contribution.

Morris: This involved raising money too?

#### Corporate and Civil Service Response

King: Raising both money and the manpower. Of course, it needed constant work on the telephone to obtain the manpower. Raising the money for our projects is usually not the problem. Companies would rather give you ten or fifteen thousand dollars than loan you a man for three, four, or five months!

Morris: That was going to be my next question. Why is that?

King: Number one, it's easier and less expensive to give

money. It's less disruptive to an organization. If you ask for a management specialist for too long a period, some people object because it gets them out of the mainstream. However, the education from the individual's point of view and from the company's is invaluable. As I rode to work on the train this morning, the Wall Street Journal had a small item in the "Who's Who" section that Bill Spengler had just been elevated to vice chairman of Owens-Illinois. Bill was a team leader on the first Ohio project. It has been amazing to follow the professional development of some of the young guys who served on our task forces. Many now have key positions. Fortunately, we have maintained contact with many of them.

Morris: The other element is the career civil servants. In California--what was their response and how did you prepare them for the project?

King: We had a series of meetings, usually with the Governor in attendance. Included are department heads, key representatives of the civil service groups, employee representatives and legislators.

Morris: The department heads are appointed. I am talking about the civil service.

King: Their representative were included, too. We stress the fact we are not against civil service or trying to eliminate necessary positions. Sure, we're going to look at some of the positions. We must determine if they're needed, whether the job content is correct and so forth. We must also make it clear their participation in this process is encouraged. In addition, we suggest that any reductions be accomplished through attrition. Throughout my career, we have had very little resistance from the civil service groups.

#### Reports, Recommendations and Implementation

King: Let me tell you about state employees. We find that about twenty percent of our recommendations usually originate with an idea or a suggestion from a state employee. You might ask why haven't they done this before? The reply, "Well, no one's asked me." I'm serious! I don't know whether you are familiar with the productivity experiment at the Hawthorne works of Western Electric. Well, a properly managed task force motivates employee participation in a similar manner.

Morris: Yes, it is frequently quoted.

King: The same philosophy. But back to California. In early 1967, the recruiting went on, the loaned management specialists were organized into teams, assignments were made and schedules were developed. Then we proceeded with the study of state government departments. In addition to three staff consultants, we also had a full-time editor-writer in Sacramento to help put the reports into uniform language and format. These working reports were released internally, not publicly. Distribution included the Governor and the department head so action could be taken immediately. The public report was basically an edited abstract of these documents.\*\*

Morris: Yes, a summary.

King: I don't know how many working reports there were. I've got a whole section of one shelf in a library bookcase with this material.

\*\*"Summary Report and Recommendations, Governor's Survey on Efficiency and Cost Control," Sacramento, February 1968.

Morris: Governor Reagan, now president, remembered a person called Capo working on this project. This may be a transcribing error, although I listened to the tape and it did sound like he said Capo. I wondered if you could recall who that might have been or if he mispoke and we misheard.

King: The name is not familiar. ##

Morris: You've named your people who were there, which is what I was looking for. Your booklet (The Task Force Approach) on the public service projects you've directed has several striking facts. First, the California study involved more loaned executives than any other project.

King: Right.

Morris: There were also more than twice as many recommendations. Could you tell me a little bit about the climate in California? What did you find and why are the statistics different for California?

King: Obviously, the number of management specialists assigned was helpful. When we design a project, it's a marketing question as well as a management effort. What capability can the business community provide? It's never unlimited. So you draw up optimum specificatins for manpower, then say,

"All right, can we meet these requirements?" In California, we could satisfy our optimum needs. There was also an eagerness in California to help improve the management of government. There was a feeling it had tended to be much too liberal for too long. The Governor's position was: I'm not trying to cut services. I'm trying to provide services more effectively, efficiently and economically.

Morris: Liberal in terms of the way things were staffed and the size of the budgets rather than in the service goals?

King: Right.

Morris: Were there some questions also about the kinds of services that the state had gotten into?

King: Yes. But, the questions of policy, the questions of program were beyond our scope. If we felt a program was ineffective, we would not recommend eliminating it. Instead, we would suggest getting specialists who knew the technicalities of the program to study it. We were interested in the administration and the management of departments, functions and services. There is a very fine line. It's one that can be extremely critical to credibility. If a business person overestimates his or her capabilities and strays over that line, your

credibility can be lost. This is one of our functions, to monitor activities so they remain within the parameters of our objectives and scope.

We had long discussions on the water system and other technical areas. We brought in experts on the water system; on the telecommunications system, and a lot of other things. Probably one of the reasons you had more people in California was that we could draw on an across-the-board resource that isn't available in many other states. Maybe New York would have it.

Morris: In that period, were some of the people like Lockheed setting up technical consulting services themselves? Did that pose any areas of conflict, shall we say, between what your group was trying to do and what Lockheed was proposing?

King: We didn't think there was. I knew that Lockheed was looking at some projects of interest to the state, but then Arthur Young and Company was, too.

Morris: Yes, I know. Lockheed was an example.

King: Another of our guidelines enters the picture here. We have management services people and consultants from accounting firms and consulting firms working with us



on these projects. We try to get an agreement with them to avoid soliciting business during the project. When the report is released and it is public, it's open territory. Then, everyone can use their contacts. As a policy, Warren King and Associates does not solicit additional business during a project either from the private or the public sector of the state involved. We will not use our position to our advantage.

Morris: When the recommendations began to appear, what kind of response did you encounter from the legislative people?

King: It was quite fair for the most part. When the report was presented in January of 1968, the state organized its own implementation team. The guy that headed it up has passed away and I can't remember his name.

Morris: Ned Hutchinson.

King: Yes, a tremendous professional.

Morris: He was in the Governor's office.

King: Right. Ned moved over into the old Public Market building. We told Ned (Hutchinson) everything we had

done to expedite implementation in other states. He improved the implementation procedures, the reporting procedures, the monitoring procedures. We adopted many of those ideas and have improved upon them since. It was probably the most effective continuing implementation effort that I had seen at that time.

Morris: I can imagine with two thousand recommendations.

King: The bookkeeping alone can stagger you.

Morris: That's what I'm commenting on. We have been allowed access to the materials of the administration that are now stored in the Hoover Institution. The correspondence going through Ned Hutchinson's office on this looks like it was more than sufficient to be a full-time job for him. But keeping track of percentages of recommendations that were implemented and percentages that went back for further study, that might cut into the working time of people in these various departments. How did you deal with that?

King: The paperwork could have been excessive. It's a long time ago and the details sometimes are fuzzy. We feel the optimum implementation period is the first two

years after release of the report. By the end of that time, fifty or sixty or seventy percent should be implemented. During this period, you are going to have a central crew--Ned Hutchinson and his score keepers, his motivators. The major departments--transportation, finance, administration or mental health--should probably have someone assigned internally, on a full-time basis for a year bird-dogging the recommendations. This is a cost-effective use of manpower because the savings generated could equal ten to twenty or thirty times the salary involved. In the smaller departments, the director can handle these responsibilities.

If you release a report without a follow-up system, you are not going to get the expected results. The non-structured approach will break down because there is no one to motivate participation. There is no one saying to the Governor, "That department needs a shot in the arm. You need to talk to the director." You need a continuing activity.

#### Maintining the Momentum

Morris: Can you recall to what extent Governor Reagan was called on to shake up the troops, as it were?

King: Not specifically to shake people up. He was called upon to participate in "mood elevating affairs"--cocktail parties! And the Governor was always available.

If you are undertaking a study phase that is going to take ten, twelve, sixteen, twenty weeks, you are going to find at the end of the third or fourth week, people are saying, "What did I get into here? Is this possible?" Morale after the excitement of the start up dips, so you need something to rekindle the excitement. Governor Reagan was fantastic at this. He made everybody feel they were doing something worthwhile, essential to the state. You know the Mirador Hotel? We had several cocktail parties on the roof quarters. I remember him circulating. He had little tokens made--license plates. People knew he was thinking of them. It was excellent.

Morris: Is this similar to sales motivation programs in automobile sales and things of that sort?

King: Somewhat. There is nothing more discouraging than being on a commission and wondering if anybody knows what you're doing. Well, the Governor did know. And he was most generous with his time.

When we plan a program, we say to the Governor involved, "This is going to take some time on your part. You're going to have to host one or two cocktail parties involving two hours each. You are also going to have a husband-and-wife dinner, which is going to take an evening. The private sector funds pay for all of the expenditures, but your participation is important."

Morris: Earlier on, you mentioned that you recruited people with fleet management experience to deal with situations involving state motor vehicles. Did you get any feedback from those skill-specific people as to what they found and what they felt, coming from a commercial background?

King: Its all in the working reports. You've got copies of these haven't you?

Morris: No, we haven't been able to dig those out yet.

King: You haven't? I have a whole shelf of them, but I only have one copy of everything.

Morris: Good, I'm glad that you have it, so that I can see them.

King: There may be one or two missing. Our staff sometimes take things in the field. I'll walk you over to our

offices and show you a bookshelf with thirty or forty.

Morris: The basic question is how much transfer there is of business methods to government?

King: A tremendous amount.

Morris: I was thinking of it in terms of the classic description. In a business situation, the department manager can say, "All right, we're going to turn it around, we're going to do it this way tomorrow." In the governmental situation, the department manager has to take it up with a legislative committee and the Governor's office.

King: One of the most important lessons I learned from Governor Rhodes involved executive authority. It goes a lot further than most people think. When the legislature thinks the Executive Branch is infringing, they are going to raise questions. If a department manager went to the legislature to determine how to utilize automobiles, he'd be abdicating his responsibility. He's not a manager.

The legislature, yes, can tell him how many new vehicles he can buy, but he doesn't have to buy the maximum number. Those are decisions a manager can make.

Involving managers is a vital part of our process. You can't work in a vacuum and develop meaningful results. You are dealing constantly with the department managers. Furthermore, we never release a report to the public until a department manager has been briefed on its content. If he objects to something solely out of vanity, we're probably not going to change it. If he gives us some good reasons why we're wrong, we'll consider changing it. We spend the whole last week in a typical project meeting with these people and verbally briefing them.

Morris: At this point, does your consultant staff take over?

King: No, it's still the task force personnel. Remember, our staff operates as project managers. We guide and direct the task force members. If our consulting staff did the actual evaluation and developed the recommendations, this know-how would return to Chicago with us. For any follow-up, they'd have to call us. Instead, we create a cadre of consultants within the state--the loaned management specialists. They are the ones who will be called back for a day or two to answer such queries as "this recommendations isn't clear" or "could I go a step further than this recommendation?" That service from the task force personnel is available at no cost.

Morris: Earlier, you said a number of the recommendations originate from government employees. In the process of going in and taking a look at the various departmental operations, does the outlook of the loaned executives change regarding the how and why of government?

King: Oh, yes. It's a revelation. You always have some cocky individuals who say, "We'll straighten this out in a week or two." Then they find that the data processing personnel and systems in state government are probably as sophisticated as they are in private industry. They find there are good managers in government. This builds mutual respect.

#### Some Specifics

Morris: Data processing is an interesting example. I am coming across a lot of material in the sixties about setting up the state's data processing capability in California. Was this something of particular interest at that time?

King: Yes, I think there was a parallel study on this subject. Jim Dwight could tell you more about that. He would be much better informed.

Morris: Yes, we hope to track him down.



King: He is in Washington with Deloitte Haskins & Sells; I can give you his phone number and address. I talk to him quite often.

Morris: Thank you. I will give him a call and make contact. Another area of particular concern in California from the Governor's point of view was the state hospital program. Did your task force suggest the closing of several hospitals and cutting staff?

King: I can't say yes or no. I don't remember. Usually, this subject is typical of our proposals. We normally find underutilization of facilities. You must remember that many facilities were built years ago when transportation was difficult, while a drive of a hundred miles today is routine. Thus, a more decentralized hospital system was needed in an earlier period.

The confrontation I remember concerned higher education which was well-publicized.

Morris: Did your task force have a confrontation with higher education or the Governor?

King: Oh, no, it was between the Governor and the Regents.  
Who was the former chancellor who went to the Carnegie  
Institute (Commission on Higher Education)?

Morris: Clark Kerr.

King: Yes, he's retired now, I believe.

Morris: Yes, he went down to El Salvador to supervise the  
elections as part of the U. S. team. He has been  
"rehabilitated." He was just made the alumnus of  
the year of the university system. I assume the Regents  
must have been consulted on that announcement.

Yes, that was a pre-existing situation. I would not  
expect that confrontation originated from the task force's  
work. However, the task force had some specific recommen-  
dations in this area.

King: Right.

Morris: How about the water situation? You said there were a  
lot of discussions on water.

King: Right. It was considered an extremely expensive  
project. It's a long time ago, but Harold B. Haught, who has

passed away, worked in that area. Incidentally, I crossed paths indirectly with A. Howard McHarg, who is still with Standard Oil of California. One of my associates at A. S. Hansen (the firm that owns Warren King and Associates) met with him recently.

Morris: Shortly after Governor Reagan took office, he announced a budget reduction. All departments were asked to make a ten percent across-the-board cut.

King: I believe it was seven percent.

Morris: Is that the kind of recommendation your task force made?

King: No, ours were much more specific. However, let me reminisce on that subject, if I may. I remember sitting around the kitchen table having hamburgers in the old mansion with Governor Reagan, Gordon Smith, Phil Battaglia and Richard Krabach discussing that subject well before the task force study started. The state had just converted to an accrual accounting system from a cash basis. As a result, a first year, one-time accounting windfall was produced with no actual increase in spendable income. Thus, they were trying to adjust for a shortfall of something like \$300-million.

These discussions produced a series of steps for the state to take. One suggested the possibility of reducing expenditures for the remaining six months of the fiscal year by five percent. Eliminating any new hires except those approved as replacements was also a part of this effort. Withholding capital commitments for data processing, equipment or other items was another. These actions were designed to make managers think seriously about any expenditures for a few months.

One of the problems faced by a new governor is the presentation of the budget within a month after inauguration. He has to depend heavily on the former governor's budget but doesn't have sufficient time to determine whether it's right or wrong. It's even difficult to accurately determine the state's cash position. I always like to delay any actions until we find out where we are, then its easier to plan future directions.

Morris: What was the reaction to this at your hamburgers in the mansion?

King: The series of suggestions was one of the things Krabach had brought with him from Ohio to use in California. Some were released. I remember the big discussion on

Medicaid in those days, too: what should California's position be?

Morris: Yes, those questions are still with us.

King: All states should have been much more cautious! Jim Dwight can tell you more on this subject. We had breakfast back in February in Washington. He said, "You know, future expenditures for Medicaid are one of the things I warned him about sixteen years ago in California."

Morris: Right. The element of continuity is striking from my vantage point.

King: Another point--why don't you turn it off for a minute?

Another point that caused some difficulty for the task force was the departure of Battaglia and a number of the Governor's original staff. Then came Bill Clark's appointment as executive secretary. It was hard for me to establish the same rapport with Clark that had existed previously. He wanted to maintain some distance from the existing operations.

Morris: I understand that some people felt Battaglia kept too tight control of things and that there were some personal problems in the office.

King:        Whatever, Governor Reagan faced the situation and did what was needed.

Morris:     Was the task force affected by the fact that there was a change in the Governor's top staff?

King:        Continuity was definitely hampered. During this transition, Nofziger helped. Lyn and I had established a good rapport. He had the whole background and I sought his advice and counsel. I wasn't going around Clark. Clark and I had a good relationship.

Morris:     He had been working in legal affairs rather than in overall administration. It's interesting that Lyn Nofziger, who is primarily considered a political strategist, was interested in cost control and efficiency.

King:        Isn't it political as well as management? Some governors have adopted this approach for political reasons rather than the management reasons. However, the political ends cannot be realized until implementation provides hard, measurable results. Then, this ties back to good management.

Morris:     Right, it doesn't work if it has only a political objective.

King: It's not just a show. The beauty of the task force approach is it makes things happen. You get people involved in the cycle. To close the loop, results must be achieved. An interesting remark was made by our chairman in California. I haven't thought about this in years. He said: "The one thing I can't figure is how you face all of the variables involved in this process and make it work?" I replied, "I guess I'm lucky. But I also know that if anything can possibly go wrong, it will." (Murphy's Law). And it does. We have never had a project without a problem. Part of our responsibility is to anticipate these problems and avoid them.

Morris: Do you recall what caused you grief in California?

King: The change in staff. Probably, this resulted in a loss of emphasis on the project. Without the Governor's encouragement and the support of his staff, it started to drift. We then got a little behind schedule. That was our only problem.

#### Charms of Government Reorganization

Morris: In talking about task forces in general, there seems to be an emphasis on reorganization. I wondered why this happens.

King: Our chairmen often become enamored with the possibilities of reorganizing state government. At best, this is a long-term project and, therefore, becomes a counterproductive use of task force time and talent. There have been about thirty-five efforts in the past six years to reorganize various state governments. I don't think one has been totally successful. The best way to approach this is to have an overall plan, then implement it in stages. North Dakota is now doing this. They have created two consolidated departments so far. If you attempt to do everything at once, you're usually in trouble.

Morris: How do you keep a reorganization going when administrations change from one person to another, from one party to another?

King: Reorganization requires heavy legislative involvement in the final acceptance of a plan and its implementation. Departments are created or abolished by legislation. However, reorganizing a department internally can normally be done administratively. As an example, say you were going to combine the Department of Administrative Services with the Department of Finance, you'd probably need legislative approval. If you were going to eliminate an elected official,



which some task forces have recommended, you have constitutional problems. In terms of implementation, recommendations requiring only administrative or executive action move ahead rapidly. The ones needing legislative action have an incubation period of anywhere from two to ten years.

Morris: How likely is the legislature to make changes that affect the outcome or the intent of the original recommendation?

King: Quite likely. At times, nobody remembers where the ideas originated. In Iowa, Governor Robert Ray authorized one of our projects immediately after his election in 1969, then did a second one in 1979. Several years after the completion of the first project, I was driving across Iowa to visit the Governor while the legislature was in session. A news announcement on the radio indicated the legislature was considering abolishing the Secretary of State's office. Actually, the first Iowa task force recommended this action.

Morris: Do you recall any contact with the legislative analyst's office in California?

King: Yes, we did have some contact with them.

Morris: His function is from the legislature's point of view?

King: Right, but his contact was probably with Ned Hutchinson. This would have been after the release of our report. Probably regarding legislation needed for implementation.

Morris: In California, the legislative analyst's office does an analysis of each year's budget, department by department, and makes recommendations.

King: Who headed it for so many years?

Morris: A. Alan Post. He's a legend.

King: Yes, where is he now?

Morris: He is still in California, but he is now consulting in state governments.

King: I thought he was with an accounting firm.

Morris: He may well be on retainer with them. The reason I mention Post is that he also has suggested that some of the constitutional officers are not vitally involved in executing state business.

King: The lieutenant governor, in most states, is a prime

example. This post has minimum assigned responsibilities. It's needed only if the Governor dies, becomes incapacitated, or resigns. Wouldn't it be better to eliminate this position and designate some other line of succession?

#### IV IMPACT OF CALIFORNIA PROJECT ON OTHER GOVERNMENT STUDIES ##

Morris: My last question is what did you learn in the California study that was useful later?

King: A tremendous amount. The magnitude of the project alone forced us to revise many of our procedures. As a result of the California project, the firm became much more successful. Some of the controls we had used previously for fifty people were inadequate for two hundred.

Morris: Were there any indications or any findings that you hadn't encountered before that have turned out to be useful in other states?

King: Every time I cross a toll bridge, I'm reminded of the California task force. We recommended the one way collection of tolls on the bridges leading into San Francisco. Today, the George Washington Bridge and the Triborough Bridge in New York both use this system.

It has had national impact. You cut the number of people collecting tolls in half; but you don't lose a cent of revenue.

Morris: Yes, and you move the people through faster.

King: Right.

Morris: Are those kinds of specific recommendations more likely to be successful than the broader attitudinal ones?

King: Oh, yes. We have tried to guide task force personnel to concentrate on the practical, pragmatic--things that can be implemented. We avoid becoming heavily involved in the philosophy of government or the theory of government. This is the objective of building a partnership involving the management expertise of the private and the public sector.

Morris: Interesting. How many people from the loaned executive program stayed in government?

King: I couldn't tell you that. We would be happy if the Governor didn't ask anybody to stay, because it can put the task force in an embarrassing position.

Morris: In terms of increasing the size of government?

King: No, for another reason. Recruiting from the people on loan is not entirely fair to the companies that supplied them. We've had a similar situation with our staff. The young man that ran the Nevada project is now an assistant to the governor. Naturally, we had to be graceful about accepting this.

Morris: Are there any other aspects of this very interesting speciality that has developed that relate to Governor Reagan.

King: President Reagan is now organizing similar task force efforts in the federal government. We are not involved although we had some early meetings with the people in Washington. Therefore, we will be following their progress with great interest.

Morris: One last question, you mentioned the Little Hoover Commission. There continued to be a Little Hoover Commission in California.

King: Right.

Morris: Did that affect how you operated or cause some conflicts or anything like that?

King:      No.  I think that might have been the project that  
Weinberger was heading up, wasn't it?

## TAPE GUIDE -- Warren King

Date of Interview: April 22, 1982

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tape 1, side B

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tape 2, side A [side B not recorded]

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The Task Force Approach offers elected officials and public administrators a proven cost-effective method for developing productive solutions to today's critical problems. Resulting recommendations have consistently identified improvement opportunities in organization structure, operating functions and program priorities. They have also provided practical guidelines for achieving economies while enhancing the quality of service delivery. In addition, benefits can be measured accurately.

The basic concept — inviting private sector management and technical specialists to review government operations — has the broad appeal of community involvement. This establishes a valuable, lasting partnership between an administration and the people it serves. Meanwhile, private sector organizations have a unique opportunity to help improve government by funding the task force as well as supplying the expertise needed to staff it. As for acceptance by public employees, cooperation is exceptional. In fact, many participate actively by suggesting improvements.

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## The Task Force Approach

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Warren King and Associates perfected The Task Force Approach as a highly specialized technique for solving public problems. The firm's experienced staff has successfully directed over 56 major programs. These have involved large, industrialized states and smaller ones with diverse characteristics. Benefits in four states were so impressive that follow-up reviews were authorized. In addition, this technique has been equally rewarding in solving problems of local government, public education and major programs. "Hard" benefits usually exceed 3% of expenditures while the potential ranges as high as 10%. Initial results are normally achieved in less than one year.

### Background

The first successful task force was organized in Ohio when Governor James A. Rhodes assumed office in 1963. This broad review of major departments and administrative functions of state government helped re-establish fiscal stability and ensure the effective delivery of services. Since time was short and the need for action pressing, the Governor asked the business community for support. In response, Ohio companies donated the services of 94 management specialists and provided funding for the task force. An independent audit of results indicated actual annual savings exceeded the original \$50-million estimate by \$10-million. Later task force reviews of elementary and secondary education and state level operations were equally productive in Ohio.

Significant refinements were made in The Task Force Approach during Governor Ronald Reagan's administration in California and on subsequent assignments. Effective implementation systems have been developed to facili-

tate measuring results. This enables an administration to report periodically on progress, thus motivating further action. Based on successes achieved at the state level, additional applications evolved. For example, The Task Force Approach has been used to evaluate the management and selected instructional support activities of elementary and secondary education. Improvements in local government activities at the city and county levels have also been realized. In addition, The Task Force Approach has focused private sector expertise on welfare and other specialized programs.

## Objectives and Scope

To ensure productive results, the objectives and scope of a task force effort must be compatible with accepted administrative policies and missions. They must also be consistent with the need to facilitate and expedite implementation of resulting proposals. Within this framework, the task force concentrates primarily on how government can operate more efficiently and economically while maintaining or enhancing the quality of service delivery. Special emphasis is placed on eliminating duplication, isolating nonessential activities and improving overall operational effectiveness. In this process, practical recommendations are developed to:

- ☐ Identify improvement opportunities for increasing efficiency and reducing costs which can be realized quickly by executive or administrative action. Typical areas addressed by a task force include operating procedures and work methods to increase employee productivity as well as improve utilization of physical resources such as buildings, land, equipment and materials.
- ☐ Suggest managerial and operating improvements for longer-term consideration. These deal with high-impact areas such as organizational realignments and substantial policy changes in financial management, personnel practices or purchasing.
- ☐ Pinpoint specific areas where further in-depth considerations are justified by potential short- or long-term benefits. Examples include detailed industrial engineering studies to develop performance standards or comprehensive specifications for major systems.

In all successful task force programs, the proposed scope must be carefully developed to focus attention primarily on areas where maximum benefits can be achieved. The characteristics of areas under review, in turn, determine task force staffing requirements while ultimate success depends on how effectively this expertise is directed. Here, the staff experience of Warren King and Associates is all-important in ensuring overall quality and expediting progress so each program is completed on time and within budget.

## Preliminary Survey

Based on repeated successes, The Task Force Approach has become a highly valued administrative procedure at all levels of government. However, several important steps are essential in transforming the potential opportunities offered

by these programs into tangible achievements. Special emphasis must be placed on planning, organization, scheduling, manpower selection, program methodology, documentation procedures and report presentation. In addition, carefully structured guidelines for implementing the recommendations help achieve measurable, tangible benefits within an optimum time frame.

A preliminary survey is a critical planning element. This provides the data needed to formulate and document a detailed plan of action for the overall program. Specifically, this preliminary effort concentrates on:

- ☐ Defining objectives and scope.
- ☐ Collecting and evaluating background data.
- ☐ Establishing overall manpower requirements.
- ☐ Developing a realistic work plan and operating schedule.
- ☐ Estimating an all-inclusive operating budget.
- ☐ Projecting potential benefits.

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Ronald Reagan Gubernatorial Era

Robert Volk, Jr.

GOVERNMENT REFORM AND THE MATURITY OF THE POLITICAL PROCESS

An Interview Conducted by  
Gabrielle Morris  
in 1982





ROBERT H. VOLK, JR.



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I JOINING THE REAGAN ADMINISTRATION IN SACRAMENTO

[Interview I: September 29, 1982]##

Morris: What we would like to start with is a little bit of how you came to be involved in government and politics, whether you came about it accidentally or if you had studied political science in school?

Volk: I had taken political science; I forget whether it was a major or not.

Morris: Here in California?

Volk: Yes, at Stanford. I got my law degree at Stanford. Practiced law, was involved in some of the Republican party activities, central committee activities. In 1960, when Dick Nixon lost to Jack Kennedy, he came back to California and affiliated with my law firm.

Morris: Which was?

Volk: Adams Duque and Hazeltine. I'd say exposure to Dick Nixon gave me greater awareness of the political system and politics. Then he lost in--

Morris: He ran for governor in '62.

Volk: Yes, and lost to Pat Brown. About a year after that he went back to New York. I was indirectly involved in the Goldwater campaign [1964] and things like that, but fundamentally practiced law.

Morris: When you say indirectly involved, had it been fundraising?

Volk: Fundraising, things like that. Support the way I could, but not on a campaign staff or anything like that. I was too busy practicing law.

- Volk: Then in '65 a group that were backing Reagan, Holmes Tuttle, Henry Salvatori, Bill [William French] Smith, came to me and asked me to have dinner with Ron Reagan, which my wife, Barbara, and I did, with Ron and Nancy at their home. He asked me if I would manage his campaign in southern California. I gave that a good deal of consideration. It was a very, very flattering thing to be asked. I was age thirty-two at the time. And having had exposure to Sacramento--we represented a number of clients in Sacramento, and I knew the political process of legislative advocacy--
- Morris: You had represented them in the legislature rather than--?
- Volk: We represented companies like Reynolds Metals, American Express, Sperry and Hutchinson Company. Decided that, no, I didn't want to become a campaign manager because you would become then as a lawyer politically identified with one side or the other. Inevitably political powers will change. It shifts from Republicans to Democrats. I felt that your law practice would either go up [laughs] or go down depending on the party in power, and I wanted to retain (I was a very conservative Republican politically) the image of being somewhat independent and not a political activist to practice law.
- I supported him during the election, however, and after he was elected the same group of gentlemen came back to me and asked me if I would serve as Commissioner of Corporations.
- Morris: Wasn't it Phil Battaglia who did take on the job of southern--?
- Volk: Phil Battaglia took the job; that is correct. Southern California, and Tom Reed had northern California.
- Morris: Right. Had you any prior acquaintance with either of those gentlemen?
- Volk: I had met Phil simply through the practice of law. I had not met Tom Reed before that. Since then Tom and I have become very good friends. We both have homes at Lake Tahoe adjacent to each other. I see Tom and Leslie every summer.
- Morris: They were also pretty young for a statewide campaign, weren't they?
- Volk: Yes, it was a whole new young staff. I think [it was] very good for the state of California. One of the reasons for his success was new blood and new ideas. For example, I just let the head of our flight school go. Heck of a nice guy, it broke my heart to do it, but he'd been head of the flight school for thirteen and a half years. You know, you kind of burn out on new ideas. You need these changes and new blood now and then.



Morris: Was this part of the thinking of the Tuttle-Salvatori-Smith group?

Volk: I think so, because they really did reach into quite a group of younger people. At the time I thought maybe--I think probably politically what impelled the success of younger people on the political structure was John Kennedy. He kind of set the pace.

Morris: He was what, thirty-six or seven or something.

Volk: In the Senate maybe even younger than that. I forget what the minimum age for Senator is in the Constitution.

Morris: Thirty-five. Same as for president.

Volk: I think he was forty-two when he was president. I think that had a tremendous influence on the acceptability of people without grey hair in position of responsibility.

Morris: But then there's the question of experience as being a way to avoid some pitfalls.

Volk: I think that's true. This I know was one of the concerns of, really, the pre-election period with Reagan, the ability to attract people in.

Morris: In to work on the campaign?

Volk: No, into government offices.

Morris: In the transition period?

Volk: Not even the transition, in the permanent offices, in the departments of government, to attract people with experience and with knowledgeability. And I think he did an excellent job.

Morris: Did you talk to Mr. Reagan himself about some of his ideas in government and your ideas in government?

Volk: Oh, yes, we spent three-three and a half hours that evening just Mr. and Mrs. Reagan and my wife and myself--

Morris: Just the four of you?

Volk: Just the four of us, discussing these philosophies and things like this. I'd say I walked away terribly impressed with the man. I remember summing it up on the way home with my wife. He didn't know, by reason of lack of experience, or he didn't have in-depth knowledge of all the fields of government, but he had a set of

Volk: principles that he put up on the wall, and every question was tested against those principles. If it was consistent with those principles, it would receive his support. If it was inconsistent with his principles, he would not support it. I was very impressed with that. The man had the moral fiber to be consistent in his thinking.

Morris: What were the key principles?

Volk: I can't remember them exactly to list for you, but it's the same principles that he reiterated in the presidential campaign. He's held very consistent. In reducing the burden of government on the people. The free enterprise concept, and the dignity of the individual to enjoy his own success, the pride of earning your own living. It's almost like a ten commandments. If you sat down and really worked your mind and you went through the talks to refresh your mind, you could pick out ten or twelve commandments, and he stuck with them.

Now, we're talking about before my actual appointment.

Morris: In that initial dinner meeting and other meetings with him, did you and he talk at all about how to put some of these principles in action? Having been an advocate in Sacramento yourself, did you have any sense to what extent these ideas could be put into practice?

Volk: I think the biggest concern that we had in the initial talk was the practical ability to get people with experience to give up what you have to give up to go into government service. I survived government service financially because I was able to sell my interest in the law firm. I was a partner in the firm. A super group of guys, they purchased my interest in the law firm, and then I used that to maintain a wife and four children during the period of government service.

Morris: Was there kind of an understanding that if you wanted you could come back to the firm later on?

Volk: No, that would have been a--I don't think Ron Reagan would ever have approved it. My own morals would never let me go into a position of conflict of interest, because the position was that of a professional attorney in administering the securities laws and the related lender laws. Individuals and businesses were represented by counsel before the Commissioner of Corporations office. Any understanding that I would be reemployed by that law firm would have been an absolute conflict of interest insofar as either that firm representing themselves before the department or me making any decisions.

Morris: How did your wife feel about your deciding to take a job in Sacramento?

Volk: She was very enthusiastic. I talked to a number of friends in making the decision whether or not to accept the offer. One, it was a challenge, a fascinating professional challenge, because for three times in the 1960s various groups of the State Bar attempted to reform the securities laws through the passage of what was known as the Uniform Securities Act, which had been adopted by a number of other states.

California had a very cumbersome system of securities regulation. The truth of the matter is the law was adopted in 1917 and virtually had never been amended to take into account the fact that the Securities and Exchange Commission came into being in '33 and '34. You had this huge federal regulatory agency, and California just went on as if it were the independent kingdom of Tonga or something. We employed more people in the department than were employed in securities regulations in the other forty-nine states combined.

Morris: That's a startling statistic.

Volk: Yes, I have boxes of the old speeches I used to give. [laughs] One, it was a major challenge to reform that securities act.

Morris: Had you been active in that committee of the Bar Association?

Volk: No, I had not been. But my fundamental practice was in corporate securities work, so I was well aware of the problems. I just thought where somebody else had failed three times, that's always an interesting challenge.

And from a selfish, standpoint, other than absolutely enjoying the period of time and the challenge, I thought it was a stepping stone.

Morris: In what way?

Volk: Careerwise. I had seen people serve on the Securities and Exchange Commission and come off the commission, and it enhanced their law practice. The experience and the notoriety cannot help but enhance your law practice. So that was part of the thinking in doing it.

My wife enjoyed it. She's a good trooper. She stayed down here and lived down here with the kids, and I took an apartment in Sacramento.

Morris: Had she been interested herself in politics and government?

Volk: Not really. When you have four kids--let's see, that would be '67, so we had four kids from eleven down.

Morris: That's a fulltime--

Volk: That's a fulltime job. We've got one left at home, and she goes at the end of this year. And even with only one, my wife is wondering what she is going to do with herself during the daytime now.

Morris: So that she and Mrs. Reagan by and large poured the coffee and listened to you gentlemen discuss how--

Volk: Yes, I'd say that's pretty much-- Nancy Reagan's a lovely person. She is socially very gracious and a very real human being. I like to think my wife is the same, and I think the two of them hit it off very well and respected what the men were saying.

Morris: Mrs. Reagan is also often described as having quite strong views on how things ought to work.

Volk: In my exposure to Nancy Reagan, I never saw her take any role other than that of a devoted wife supporting the views of her husband. She may share just as strongly as Ron does some of those convictions, and I'm sure she has some very strong views of her own on drug abuse and things like this, but I've never been in a situation where she's ever, to use the vernacular, come on strong.

## II CORPORATIONS COMMISSIONER, 1967-1969

Revision of the California Securities Law

Morris: When you agreed to take the job, was there some kind of orientation briefing or--?

Volk: [laughs] No. But fortunately I didn't need it, because I had dealt with the Division of Corporations as a professional lawyer.\* I knew personally the individual who ran the Los Angeles office. I knew personally the individual who ran the San Francisco office. These were major offices in which business was done. So I used to say that when you go into government service, and particularly into a civil service staff that had been built up under--I guess it was twelve years of Pat Brown.

Morris: Eight.

Volk: That's right, eight. it was the third term that killed him. I hope it happens to Jerry Brown, too.

Morris: That's an interesting question. If you shift the race you're making, does that have an effect on the attrition of political life?

---

\*Under Edmund G. Brown, Sr., corporations was a division of the Department of Investment. In 1967, the division became a unit of the Business and Transportation Agency, and in Reagan's 1968 administrative reorganization it became the Department of Corporations.

- Volk: I don't know. Anyhow, I used to say that you walked in, you were given the key the the men's room, but it took you six months before anybody was willing to tell you where it was. [laughter]
- Morris: You found some resistance in the civil service people?
- Volk: Oh, yes, because literally, given Ron's campaigning and given the discussions, we were in to reform government, and the civil servants knew it. I, out of loyalty to Ron, either got them off on the right or the wrong foot; but I took office, I think it was either the Thursday or Friday before Washington's birthday.
- Morris: In February.
- Volk: Yes, the exact date's got to be here someplace. That [framed commission on office wall] says the 17th of March, but that was the permanent appointment. But they give you a temporary one. Remember he asked all the civil servants to work on Washington's birthday? So what I did on Washington's birthday was to schedule a visit to the three major offices, L.A., Sacramento and San Francisco. [laughter]
- Morris: In one day?
- Volk: In one day. I'll tell you, PSA [Pacific Southwest Airlines] was a lot better air service in those days than it is today. They were on the hourly flights, and you could do it. I think I went up the night before and started in Sacramento in the morning, then hopped over to San Francisco, then flew down to L.A. for the afternoon. I don't think I created any great aura of popularity with the civil service staff. But I think it was good support for Ron, because it got a lot of press. San Francisco newspapers crucified me; I made the TV news in L.A., and it was picketed.
- Morris: Really?
- Volk: Yes. But it was a good chance to show the civil service who was in charge. And that I meant business. It certainly had Ron's support. He was great. This cartoon was in the Sacramento Bee, which was opposed to securities reform.
- Morris: Who were the advocates of not reforming?
- Volk: The opposition to reform came from fundamentally two groups. One was the attorney general's office. Tom Lynch was then attorney general, and there was a deputy attorney general now deceased from San Francisco by the name of Herb Wenig and a former deputy commissioner from San Francisco by the name of Don Pierce, who used to have a group called the Securities Roundtable. It reminded me

Volk: of a group I ran into in the Senator Hotel one time in Sacramento that were still trying to expel the Chinese; [laughter] the group was formed when Charlie Crocker was building a railroad. This group was about the same way. They were convinced that the California securities law had prevented Californians from investing in the Tucker automobile.

Morris: Good heavens, I haven't heard of that in a long time.

Volk: This was their big argument: It saved California from Tucker; now you want to permit all the promoters to come in. Well, we weren't permitting promoters to come in. We simply said if you were listed on the New York Stock Exchange, you didn't need the approval of the California commissioner to sell securities in the state of California. Because the SEC had gone through it; they had a prospectus. You've got a regulatory agency and a stock exchange. And if you wanted to buy stock, you call the broker in Nevada and buy it in Nevada. It just put a tremendous burden on industry.

Morris: In terms of raising capital for expansion--?

Volk: Sure. American Airlines--the wierdest example of this--came out with a rights offering. It was firmly underwritten, and shareholders of American Airlines had the right to subscribe to additional shares at a discounted price, which is typically a rights offering. Then there's a secondary market in the rights. In other words, if you had the rights to buy ten shares of American as a stock holder and you didn't want the ten shares, you could sell the right to somebody else. That person could then pick up the shares for a discount under market.

American Airlines' rights offering came out on Admission Day [September 9], and our offices were closed. I got a call at home from the underwriter in New York. [He] asked me what to do. The file for the permit was in the San Francisco office, and no permit had been issued. So any offering was illegal. So I got ahold of the then deputy commissioner in San Francisco, who was one of the Tucker types, and I said, "Go down to the office and sign the permit. Somebody will come over and pick it up."

And he says, "I don't think it's legal. It's a state holiday." [Celebrating California's entry into the union, 1849]

You can imagine, here's a national underwriting grinding to a halt because of this type of silliness.

And at the other end of the spectrum, if you wanted to form your own corporation for some reason, to take advantage of pension funding or something, and you were going to own all the stock

Volk: yourself, you had to go in to the Commissioner of Corporations office and get a permit and prove to the commissioner that you were being fair, just, and equitable to yourself.

There's no sense in regulating transactions like that, as long as the securities are endorsed so that they can't be transferred to anybody else. The whole system is contrary to our judicial system. Our judicial system is based on the fact that you're innocent until you're proven guilty. In the securities laws, you have to prove that you're being fair, just, and equitable. So the burden of proof is on you to prove that you're fair, just, and equitable rather than the burden being on the regulatory agency to show that there is something of an unfair, unjust, or unequitable nature involved in the issue of securities.

Morris: Is that still the case?

Volk: We couldn't get it all the way out, but I think we went a major way in shifting the burden. So that's where the opposition came from.

Morris: From the attorney general's office?

Volk: Yes.

Morris: Not from any constituencies out in the community?

Volk: No.

#### Drafting New Legislation

Volk: We had the support of the State Bar and local bar associations. What I did is put together a committee to write the act. I got a UCLA law professor who was on leave from UCLA, Harold Marsh, to actually do the drafting. And then representatives of the bars of San Diego, Los Angeles, San Francisco--I don't think anybody from Sacramento. No reason to exclude Sacramento. [laughs] Oh, I had two members of the legislature on the committee. One from the assembly and one from the senate.

Morris: Do you recall who they were?

Volk: Yes, Jack Knox on the assembly, who was the author of the bill, and Bob Lagomarsino, who was the author of the bill on the senate side, both of whom were lawyers.



Morris: Right. That's also one Republican and one Democrat.

Volk: Yes. I knew a little bit more about the legislative process.  
[laughs]

Morris: You'd worked with those guys beforehand--

Volk: Yes.

Morris: At that point was there somebody in the governor's office, a legislative aide or something, working with you on this?

Volk: The former state senator from--

Morris: Vern[on] Sturgeon?

Volk: Vern Sturgeon, yes. I had known Vern before when he was a senator. And Vern and I got along very well.

I lobbied my own bill through. Really Vern kept hands off. I had a very good friend up there by the name of Judge [James D.] Garibaldi, who is still today the most influential lobbyist in the state of California. I guess Gari today must be seventy-five. When I went up there he kind of took me under his wing and told me he would keep me out of trouble.

Morris: Had he been in your law firm?

Volk: No, I had just known him. He's a member of the L.A. Country Club, a good friend of the family for some period of time.

Morris: Your father has been active in public affairs, too, hasn't he?

Volk: Never in the political sense. He's been head of AID [U.S. Agency for International Development] and Boy Scouts, the Chamber of Commerce, Music Center, trustee of Cal Tech. He's got a heck of a record of civic service, but never on a political side.

Morris: Did he raise you to think that participating in some way in the community was a good thing to do?

Volk: I don't think he ever instructed me, but sure he set an example, yes.

Morris: You were aware of that?

Volk: You've got to give back to your community what you take out of it, a fundamental rule I've always had.

Volk: I started to say, the kind of thing I think you're most interested in is Ron Reagan and the way he works.

Morris: Yes.

Volk: This cartoon came out in the Sacramento Bee. I'd never been jousting by a political cartoon in my life, and it kind of disturbed me.

Morris: Did it?

Volk: Yes, when you think you're doing the right thing, to have that kind of stuff come out. I got to the office in Sacramento. I'd seen it at breakfast, and by the time I got to the office--I forget what time it was, but it was no later than nine o'clock, here was--

##

Volk: --a note from Ron on it saying, "Bob, when the Bee comments, I know you're doing the right thing." Signed "Ron."

Morris: [laugh] That's great.

Volk: And that just kind of turns your whole attitude. He was kind of like a Billy Graham--going into bureaucracy and trying to really effect a change in government. Sometimes you feel, "Gee, I just spent the last two months beating my head against a brick wall, and all I got is one little chip off." He made a point of periodically visiting with his people, and when you walked out of there you were all charged up and ready to go back into the brick wall again. [laughs]

Morris: Were your sessions with him primarily morale-builders rather than your requests to see him on some knotty problem?

Volk: I'd say more in the morale-building sense. I operated in, again, a highly professional and a highly technical field. I saw him when I wanted to introduce the bill as part of his legislative package in '68. When the legislature convened in January, '68, it became part of his message. I think he had a great deal of confidence in me; my legislative package met with his approval.

Credit Union Problems

Volk: I think the only other time I talked to him was to advise him that I was closing Cesar Chavez's credit union.

Morris: You did?

Volk: It was short of funds and defunct. I closed it within, I forget what period of time now--it could have been a day or a week or ten days--funds were put into the credit union which made it solvent again.

Morris: Was this your intent in closing it, to get it working--?

Volk: The intent was to protect the members of the credit union against further depletion of credit union funds or to prevent people from investing funds in an insolvent credit union. If the credit union could only pay out twenty cents on the dollar, you wanted to stop additional depositors from coming in.

Morris: How often did a credit union get into that kind of problem?

Volk: Very rarely.

We administered the craziest group of laws. There were some sixty-five related laws, I think. Personal property brokers, credit unions, trading stamps, pawnbrokers. [laughs] There is an interesting history to that. I met the old Commissioner of Corporations, who had been commissioner for twenty seven years. His name was [Edwin M.] Daugherty.\* He's deceased now, but he was eighty-four, eighty-five and living in Palo Alto. I made a point of going up in my early days and visiting all the former commissioners, all of whom are absolute gentlemen, to get whatever inputs they could help me with. Old man Daugherty I think left the commissioner's office probably at the time John Sobieski came in, which would be '52 maybe.

Morris: It used to be people just stayed in that spot regardless of who was governor?

---

\*Originally appointed in 1921, Daugherty resigned as Commissioner of Corporations when C.C. Young became governor, but was reappointed in 1931 by Governor James Rolph. Daugherty retired in 1954.

Volk: Well, Daugherty told the funniest story. I forget who was governor at the time, but this would have been in the twenties, and Daugherty was a newspaperman for the Herald. An election had just taken place, and a group of them were sitting around in Sacramento, you know, waiting for the questions to begin, and the new governor was in. The governor wanted to appoint [a man named] Dougherty as Commissioner of Corporations, who was a practicing lawyer in Los Angeles. Somehow the message got all fouled up, and the message got to Daugherty the newspaper reporter for the Herald that the governor wanted to see him. So he went in, and he was appointed Commissioner of Corporations.

Morris: Oh, my goodness! [laughter]

Volk: And [laughs] nobody could—once it was done, you couldn't admit that it was a mistake and undo it. And then during the Depression, the legislature had so much respect for the way he ran the office and [for] the man's integrity that when any loanshark lending area, all these types of things, would come to the attention of the legislature and legislation was enacted to protect the consumer in this area, it was always given to Daugherty's department, so that the Division of Corporations inherited all these laws fundamentally through the great integrity of a great old guy by the name of Daugherty.

Morris: You said that Cesar Chavez's credit union was one that you saw Mr. Reagan about. At his request?

Volk: No, just to notify him that I had the statutory duty to close it down, and there could be a lot of noise about it.

Morris: How had this come to your attention?

Volk: We had a staff of regular examiners in our department. All the lending institutions or fiduciary laws that we administered required regular examination by the department. It came right up out of the department. It came to my attention because at that time it was rather a hot potato. [laughs]

Morris: That was what I was interested in, the whole business of Chavez and the Farmworkers' Union.

Volk: Sure. I had no choice. I had a statutory duty, and so I simply told the Governor that I had a statutory duty to shut it down and that he'd probably hear about it.

Morris: In some areas they were concerned that the whole farmworkers group was using very--

Volk: That would have been out of our jurisdiction. That we would have nothing to do with. That would be the attorney general's office or the local district attorney or whatever. Our jurisdiction related to the regulation of credit unions throughout the state of California, of which this was one.

I only mention it because the interface with Ron Reagan again--constitutional duty comes first. So there's some heat--!

Morris: But it did produce heat on an organization that was causing some problems and some concerns in general.

Volk: I was thinking of the political heat that might have been created. But we closed it down. Then--

Morris: Publicly? Did you call a press conference?

Volk: No. I think that would have been an absolute mistake, because the idea was not to get into some kind of political contest with Cesar Chavez. We had an obligation. The credit union was insolvent. We closed it down. Quietly. The Governor was aware of it. And as I say, in a very short period of time funds were deposited to make it whole. And once it was whole, we had no choice but to let it run again. That's what the law says.

#### Autonomy in the Business and Transportation Agency

Morris: Were there other questions that you would go to some of the governor's office people on? Who in that office would be your resource if you wanted to check something out?

Volk: Gordon Luce and I became very good friends.

Morris: He was your boss as head of the Business and Transportation Agency.

Volk: Yes, he was the cabinet secretary with responsibility [for corporations]. Gordon and I shared a ski condominium together with our families and everything. We were very close, and there really wasn't any "Gee, I better tell you this, Gordon--"

Morris: In other words, you were generally left to--

Volk: Run the department pretty well as I saw fit. In the early days I pretty well led the group in staff reductions, which was what Reagan wanted.

Morris: Led the group? In the Business and Transportation--?

Volk: Yes, in the Business and Transportation agencies. So I think Gordon had a lot of confidence in me. I wanted to close the San Diego office of the Department of Corporations.

Morris: Where Mr. Luce hails from.

Volk: [laughs] Yes. I think that--I forget the statistics, but such a small percentage of the total business done by the Department of Corporations in the state of California came out of San Diego, and yet they had a sizable office. Most of it comes to L.A. anyhow.

Volk: You mail your application in, it gets processed, you talk to them on the phone. If you have questions, you mail something else in. Then they mail the permit back to you.

That created a little bit of fun. [laughs]

Morris: How often would you meet as a group of Business and Transportation administrators?

Volk: We had a regular scheduled meeting. I forget how frequently it was. It was not that frequent. Generally it would revolve around a luncheon or something. Gordon would convey some thoughts of the Governor, progress-- There was never a formalized meeting where individual administrators would report on what they were doing. It was rather informal.

Gordon and I became such good friends that we saw each other so frequently that communication was there. If I had something I wanted to tell him, I'd probably tell him.

Morris: Were your offices physically close to each other?

Volk: They were in two separate buildings, but close.

Morris: And you hadn't known him before you and he went to Sacramento?

Volk: No, I just met him up there. When the legislature was in session and we had this bill going through, I spent a great deal of time in Sacramento. I had to. That was my responsibility. Other than that, a great deal of time is spent in Los Angeles, because over sixty percent of the business of the Department of Corporations was in Los Angeles.

Morris: That seems appropriate.

Volk: High activity. San Francisco would be second. I think Sacramento was third with about seven percent of the activity in the actual functioning of the office. And San Diego was about two or three percent.

Lobbying for Passage of the 1968 Securities Bill

Morris: If the revision of the securities law had been tried three times and failed, what turned it around when you succeeded in getting a uniform securities law passed?

Volk: It wasn't a uniform law we passed. We wrote our own, which frankly I think is a lot better than the uniform law.

Morris: What was different in '68 that made it possible to pass the bill?

Volk: I started out by organizing a good representative committee. Former Commissioner [Jerald S.] Schutzbank was on the committee, myself, my chief deputy, a representative of the commissioner's office, one of the civil service staff. Herb Wenig was on this committee.

Morris: How did you get him to agree to come on the committee?

Volk: He couldn't afford not to come on it and be heard. Dick Jennings from the University of California at Berkeley Law School. A guy by the name of Harlan F. Harmsen from San Diego, who represented what I would call the smaller law firm or the smaller practice. Earl Adams, who had been senior partner in my law firm and had worked under Daugherty in the Department of Corporations, a very, very respected, prestigious lawyer. Graham Sterling was on it from O'Melveny and Myers. Two lawyers from San Francisco, Walter Olson and Paul Davies, from Pillsbury Madison [and Sutro] and the big bond law firm in San Francisco--I don't know why the name escapes me, that's Walt's firm. And then myself, and Harold Marsh was the scrivener.

Then we would send out drafts for comment to the State Bar committees. We held public hearings. We were endorsed by the California group in the Investment Bankers Association. I got the national Investment Bankers Association to endorse it. I got the National Association of Securities Dealers to review, add to it and endorse it. I got John Mitchell of attorney general fame to get the endorsement of the American Bar Association Committee on Securities Laws and the New York Bond Lawyers Association. I had two very good friends at the time that were both SEC commissioners,

Volk: Frank Wheat, who is now with Gibson, Dunn and Cretcher, and Phil Loomis, who's still there, to have the SEC staff review it and endorse it. And I had the New York Stock Exchange. I had the American Stock Exchange. Plus I had a Democratic author. Plus I personally lobbied the bill. I talked to every member of the legislature about the bill. And we got it through.

Morris: What happened to save-California-from-the-Tucker school of thought?

Volk: Oh, there was another guy who opposed it, too, this nut that always goes to corporate shareholders' meetings.

Morris: I've heard of him. I don't have his name.

Volk: I've got a copy of his book at home as a memento. He went up, and nobody paid any attention to him. We went through the assembly pretty handily. We had two committees in the assembly, the judiciary committee and the fiscal committee, and I had the support in the fiscal committee of Alan Post, who was then the legislative analyst, who was a wonderful, wonderful man. In his annual report to the legislature he gave me personally a great deal of credit, which is a nice feeling.

It was on the senate side that the noise started to come out, and particularly when it got to the fiscal committee, which was George Miller from Martinez.

Morris: What was his objection?

Volk: I knew George pretty well personally and so did Garibaldi. Noise came up it was going through too fast. You see, the bill was introduced in January and was passed and signed by the Governor in May, which is pretty good speed. My personal reaction is that George felt there was some opposition to the bill, and he was not sure the committee would pass the bill if it were forced at this committee hearing. So he held it over two or three weeks.

Morris: To allow whatever might--?

Volk: Well, to let George get control of it. Which is not a--it's the exercise of legislative power. George's comments to me--we went to one of Sacramento's watering holes for I guess it was lunch afterwards.

Morris: After the first hearing?

Volk: Yes. At Frank Fats. George enjoyed his liquor. He just told me, he said, "Don't worry, Bob, it's in the best hands you can get it in."



Morris: Meaning his?

Volk: Yes. And then there was some opposition on the senate floor. Somehow or another, the attorney general got on the senate floor. [Lieutenant Governor Robert] Finch was presiding, and the senate ruled him off the floor. [laughs]

So it passed. The book is a result of it, and I wrote a preface on the history of the legislation.\* The book was written because California does not keep a legislative history, and both Harold Marsh and I felt if we were going to give any glue to the reform that we better put down on paper what the authors meant when they put in this section of the bill so that the practicing lawyer could go to the civil servant and say, "Don't tell me it means that. Here's what the authors said it meant."

Morris: You're talking about the matter of legislative intent?

Volk: Yes.

Morris: As an attorney yourself--

Volk: They don't record any hearings in Sacramento. There is no Congressional Record.

Morris: Is that deliberate do you suppose?

Volk: It's just the way Sacramento works.

Morris: But there is a history clerk.

Volk: The history clerk is the one--every day during the legislative session all new bills are printed with sequential numbers that are introduced on that day. Plus any amendments to bills that occurred in a committee hearing are produced with the lead-in language with the italics. So a bill could have twenty or thirty printings as it proceeds through the legislature, because each printing encompasses the amendments. But that's the historian. That doesn't say why the amendment took place or what was intended by the insertion of these words.

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\*Practice Under the California Securities Laws, vol. 1, Harold Marsh, Jr., and Robert H. Volk, Mathew Bender, N.Y. and S.F., 1976 (1969). Copies of pp 1-1 to 1-55 are deposited with this interview in The Bancroft Library.

Morris: I understand that that is a fruitful subspecies of legal practice and legal research, determining what the legislative intent was, in California.

Volk: Yes, it is.

Morris: Those three volumes there, Practice Under the California Securities Law, are a pretty lengthy description of the passage of one bill.

Volk: Oh, no. All the regulations are in there and what was meant by the regulations and what was meant by the statute.

### III EFFICIENCY AND COST CONTROL CONCERNS

#### Governor's Task Force

Morris: When you were working on this and otherwise getting things tidied up in the corporations unit, did you have any contact with the task force that was working on government efficiency and cost control?

Volk: Yes. We had a lot of fun with them.

Morris: Tell me about that.

Volk: A good group of guys.

Morris: That was another idea that had been kind of generated by the Salvatori, Tuttle--

Volk: It was an excellent idea. Telephone systems, major efficiencies. I had fun because I always stayed one jump ahead of them.

Morris: Did you?

Volk: We maintained in Sacramento--each [Division of Corporations] office maintained its files. Then in Sacramento we maintained a duplicate file, and that duplicate file was also microfilmed. I think we employed something like fourteen people--files, there must have been two hundred and fifty thousand of them, occupied all this space. Before the task force got to me, in my department I had already ordered them to burn all the files, fired fourteen people. We didn't need it!

Morris: Because you knew the task force was coming?

Volk: No, they were excellent people to work with. They had some very good suggestions.

Morris: Did they deploy a group to come out and look at your office?

Volk: I think there were five assigned to--let's say five guys would have four or five departments, and one of them was the Division of Corporations. They had a guy from San Diego Gas and Electric, a guy from one of the accounting firms. All first class people.

Morris: Young whippersnappers like you?

Volk: Some of them had some gray hair and lots of experience. They were like consultants to me. Sounding board for ideas. If they had good ideas, we'd implement them. I think that--

Morris: How about your civil service troops?

Volk: [pause] I had excellent support from a few of them. Some of them were terribly dedicated people to the department and shared my philosophy that our bureaucracy was too big and that reforms were needed in the regulatory process. There were some of them you could just never change. There were several really outstanding people who were very supportive.

Morris: Is this similar to the percentage that you find in the business world of people who are interested in--?

Volk: Oh, no, the business world is much easier to work in with people, because if they don't support you they get fired.

Morris: That's true.

Volk: And if they don't like the leadership the company has, go work someplace else where you're happy.

Morris: I was interested in the comment you made before we turned on the tape that you think that in business operations, too, periodically, it's a good thing to--

Volk: Find out how much fat you have. Actually, the whole experience for the two years was a magnificent administrative experience, as well as legislative experience. I felt that I made a significant contribution. We turned the department from support from the General Fund to over a million dollar surplus in the General Fund.

Morris: In other words, it became self-supporting.

Volk: It not only became self-supporting; it became a very profitable enterprise. When I went in there, I think if I recall correctly, we were about four hundred thirty-five or thirty-six employees. When I left there were two hundred sixty-seven.

Morris: You exceeded your ten percent quota.

Volk: Oh, yes, I kept having fun with all the other guys. "I'm having a hard time getting ten percent." "Well, send a message to the Governor, I'll give him ten more." [laughs]

Morris: Did you deal at all with Ned Hutchinson, who I gather was keeping the records on recommendations from that first task force and compliance with--?

Volk: I knew Ned. You knew everybody up there. But I never had that much to do with Ned, as I recall. The task force and I were just superbly together in the sense that nobody was telling me what to do, and I would generally figure out a way to get one step ahead of them.

#### 1968 Reorganization; Maintaining Momentum

Morris: How about the 1968 reorganization, which looked like it shifted a number of people around and made Business and Transportation formally an agency? Was that something you were really aware of?

Volk: I really didn't participate in the reorganization. There was some feeling that the appointed department heads constitutionally reported directly to the governor and to interpose somebody in between them was an interference with that constitutional stature or whatever you want to call it. But for all practical purposes, it needed to be done, because you couldn't have all those people reporting to the governor.

My principal contact among those cabinet secretaries of course was Gordon Luce. Gordon was such a superb guy to work with that the system flowed.

Morris: Did the change from the Division of Corporations to Department of Corporations in 1968 make any substantive difference in how the Corporations unit operated?

Volk: No.

Morris: Did you and Gordon discuss these philosophical--?

Volk: Oh, yes. It would be just impossible for government to function. That's the old rule in business. Ideally you can supervise four and maybe the maximum of six.

Morris: Was this Phil Battaglia's idea?

Volk: I don't know whose idea it started with. As far as I know, it could have come from the task force recommendation. But it was a needed reorganization. I'm not so sure that you necessarily put highways and the Department of Corporations together with the Highway Patrol and the General Services Agency and the Department of Alcoholic Beverages, that they all--

Morris: Yes, it requires some odd groupings.

Volk: Yes. If you sat down with two years' experience, you might reorganize some of those groupings, put a little more synergism among those things being regulated. So that the secretary could express a little expertise in the areas he was covering. But as far as I was concerned, when I was there it worked just superbly. Of course I left in February. I left on my second anniversary, gave the Governor two years to the day.

Morris: February, '69?

Volk: Yes.

Morris: Had you planned to make it a limited commitment?

Volk: Yes. You couldn't afford to make it much longer.

Morris: Some of the people who came in in '67 kind of worked through a number of spots of increasing responsibility.

Volk: They did. I was asked to take another position. But I just really financially couldn't afford it. I gave my two years.

Morris: What did they want you to consider?

Volk: Insurance. But I went in with a specific job that I wanted to do and completed the job. I had a very good replacement that had been with me most of those two years. [Anthony R. Pierno]

Morris: He being your deputy?

Volk: Deputy that I brought in from Orange County that I'd known. Very bright, able guy. My job was to reorganize the department, reorganize the regulatory system, get it done, which was done. And then it was a question of administering—##[phrase lost when tape turned over]

Morris: Did you continue to stay in touch with people in the governor's office?

Volk: I've seen Verne Orr a number of times. The early part of last year back in Washington. Cap Weinberger.

Morris: Did you have some contact with him as director of Finance?

Volk: Yes, because he was on the budgetary process. You had to submit your budget to Cap. But since my expenditure budget was always on the downhill side--[laughs]

Morris: Right. Did they call on you for advice and encouragement to some of the other departments that were--?

Volk: No, I think there were occasions where I was used as an example, which doesn't necessarily endear you to those to whom you are being put forward as an example. I think they very carefully avoided saying, "Why don't you tell him how you got a budget," or something like that.

Morris: Occasionally would they call on you for suggestions for new people when they were looking for new recruits or ask you whether you knew somebody that was being considered?

Volk: No, the only one I really was consulted on was my own replacement.

Morris: You own deputy?

Volk: Well, not my own deputy, but when it came time for me to resign, then the Governor had another appointment to make. There were a number of people that wanted the post. I sat down with the Governor and reviewed what had been accomplished. He asked me to stay, but I gave him the reasons I wanted to leave, that I thought that it was essential, to maintain the momentum that had been started in the department, that somebody who had been there and been part of that process be appointed. He concurred, but there was some pressure to give somebody else the choice job, or whatever you call it. [laughter]

Legislative Relations; Political Reform

Morris: Have you stayed active at all in campaigning or in the Republican party as such?

Volk: Really strictly from the financial standpoint, financial support. I was intrigued at one point during the course of my time [in Sacramento] with going into politics. There were a number of people, particularly in the legislature, who thought I should. I developed a great many good friends in the legislature who still remember me very fondly. There are two scrolls that I thought were rather remarkable to get from the legislature. The assembly one-- "one of the outstanding appointments of the Reagan administration." From the assembly. Democratically controlled.

Morris: Down at the bottom, whose signature is that?

Volk: Bob Monagan, who was speaker. But it was authored by Jack Knox.

Morris: How do you explain that? The press and other writers are pretty harsh on Ronald Reagan in his first few years with the California legislature.

Volk: I knew the legislative process before, having represented companies, as I mentioned to you, like American Express. I knew Jesse Unruh, for example, who was speaker when I went in. On a first name basis. And as a professional. They talked to you in the bar, you know, "Why doesn't that guy upstairs come down and see us? Doesn't he realize how important we are?" and this kind of stuff.

I said, "Give him time. He will." He was on a learning curve. I was way ahead on that learning curve, and that's why I really ran the bill independently from the governor's office. I liked Vernon Sturgeon, but Vern would be the first to tell you if you talk to him that if the governor's office had actively gotten behind the bill, you would have engendered some of the resentments that the Governor didn't pay much attention to the legislature, and it would have hurt our chances at success. So I did it absolutely independently.

Morris: That's really puzzling, because you had experience working with the legislature, Vern Sturgeon came out of the legislature, Ed Meese was already around as assistant legal affairs and he had been doing advocacy work for the district attorney's association. That's quite a lot of workaday experience.



Volk: Vern was the highly experience one.

Morris: Meese wasn't that experienced?

Volk: No. Working with the legislature in those days involved gin rummy til four o'clock in a room each morning in suite 701 of the Senator Hotel, Garibaldi's suite. Out of friendship, when you needed a vote somebody said, "I've got a dinner coming up. You ought to take a table."

Morris: This a legislator saying that?

Volk: Yes. They weren't too shy in those days. So Al Shultz, who represented Standard Oil, and Danny Creedon, who represented the beer industry, Gari--the guy who represented the insurance industry, whose name escapes me at the moment. They were all good friends, and I could go to them and say, "Look, I need help with this vote," or "I need somebody to take a dinner--"

Morris: You'd go to other lobbyists?

Volk: Yes, industry lobbyists. Basically whose clients had an interest in improved securities regulation. So I had industry behind me and all the familiar guys, and I visited the watering holes. I can remember coming out of the Senator Hotel about one o'clock in the morning, coming down an alley in the car, and here comes Johnny Foran [chairman of the Assembly Transportation and Commerce Committee] up the street. He says, "Hey, Bob, you ever been to Zorba the Greek's?"

I said, "John, I don't want to go to Zorba the Greek's. I want to go home and go to bed." He says, "God damn it Volk, you know that bill of yours could come back for reconsideration in the assembly." I said, "John, you just talked me into it. We're going to Zorba the Greek's." [laughter]

But that's the way the legislature worked in those days. There was no Proposition--what is it, 9 that cut back on expenditures.\*

I can remember sitting at dinner in Frank Fats and some guy, a member of the legislature, would have four or five girls at the table and have dinner, get the check, and then look for the local lobbyist. Pass the check on. Funny stories.

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\*Proposition 9, an initiative measure approved by voters in June 1974 made extensive revisions in political expenditure regulations.

Volk: When the bill came out of the assembly it goes to the senate. And old Hughie Burns, who was a good friend, was then speaker pro tem of the senate, and he and Gari and I were going to get together and decide what committee it should be assigned to, because that has an awful lot to do with the success of a bill. And of course Hughie had complete control over which committee it went to. And the guy had the original bill in his pocket. If you lose the original bill, you start over again.

Morris: Good heavens!

Volk: And he was really bombed. Six sheets to the wind. I don't think he was three sheets. [laughs] I couldn't get the bill out of his pocket. He left with that bill, and I really spent a sleepless night. Thinking I might have to start over.

Morris: It might just fall out of his pocket getting out of the car.

[interruption - his secretary]

Volk: The efforts I did in that bill were reasonably independent of the governor's office.

Morris: Was there some sense, from your contacts with people in the governor's office, that they were aware that this was the way things happened in the legislature and they really didn't want to be a part of that?

Volk: No. Vern was very savvy. Oh, I can remember when the bill voted out on the assembly floor. I was standing in the back of the floor next to Unruh. All the little lights went up, and Unruh didn't turn his light on. I said, "What's the matter with you? Go turn your light on."

He said, "No, I'm going to sit here and wait until it's a tie vote. Then I'm going to make you sweat." [laughter]

Eventually I think the relationships between the legislature and the governor's office, certainly by the time he left, were excellent. It was the initial learning curve that most of them had to go through. You may reform government, but you're not going to reform the legislature. [laughter]

Morris: They argue that they have reformed themselves, increasing their capability and scientific--

Volk: I think they have. It was pretty loose in those days. There was a senate committee called Governmental Efficiency, and if a bill went to GE, it went to GE either to make damn sure it was passed or to make damn sure it was killed. The senate was a club. And the club had its own rules. And that was the way it worked.

Morris: Do you find that they have changed much over the years?

Volk: Oh yes. It's changed significantly. Very much so.

IV PRESIDENTIAL CANDIDATES IN 1968 AND 1964; OBSERVATIONS OF  
WASHINGTON AND SACRAMENTO

Morris: Are there any other aspects of working with Mr. Reagan or experiences that you had with him in the governor years and later that would be helpful for future students?

Volk: I've seen him on a number of occasions, of course, in the past thirteen years. I've seen him in the White House. I don't think he's changed one bit in his principles. I think he's learned a tremendous-- I think the Sacramento experience made him a heck of a good president. I enjoyed watching him with his preinaugural lunches with members of Congress and comparing that [laughs] with his treatment of the California legislature in the first six months he was governor.

I think a lot of the victories that he's had with Congress can be attributed to what he learned as governor. Young people always come up to me and ask me, "Gee, I want to go to Washington," you know, as an intern or to study. Stay out of Washington. Washington is so big you'll never understand it. But Sacramento's kind of a condensed little Washington, and if you spend enough time there you can understand the whole place. Which is true. But in Washington, good grief, it's dispersed all over.

Morris: Right, and it's just geometrically a larger number of people.

Volk: Sure, how many in the House of Representatives--435. And a hundred in the Senate. We've got forty in the senate and eighty in the assembly. Garibaldi always said, "I never pay any attention to the assembly. If I'm going to wear out my shoe leather, I'm going to do it between forty offices and not eighty." [laughter]

Morris: During 1968 did you have any thoughts about the efforts that were afoot for the presidential nomination?

Volk: I went to the convention. I was well aware of that. There is an interesting story, the convention. I was an alternate delegate. I got eight choice box seats at the convention. I think it was the second box behind Reagan's. I got those seats from Jess Unruh.

Morris: How did that happen?

Volk: Because the guy who was running the convention was the president of the senate in Wisconsin, who was an old friend of Jess's. And that's one of the nice things Jess did for me. They used to have a lunch at the top of the Mirador Hotel called moose milk. Every Wednesday. And you can just guess what it was like. [laughs] I used to go every Wednesday. That's where you would sit down with a guy in the legislature and you could talk to him.

Morris: This was Jess's lunch that he had every--?

Volk: No, it was held by about five lobbyists. It was called moose milk. And you were on an invitation list to go. And you'd have a drink and have lunch, and if you wanted to corner John Foran or some member of the legislature on something, you'd go over and sit down to him with it. Most of your lobbying is not done in the offices. And Jess asked me if I was going back to the convention. I said yes.

"You got tickets?" I said, "Jess, I don't even have any tickets."

He says, "Let me take care of that." So when I got down to Miami, I went to see Bob whatever his name was, and I think that irked a few people. [laughs]

Morris: Were there many Democratic observers around?

Volk: No. Not that many. This [guy from] Wisconsin was the head of the convention of the Republican party, but he was just an old buddy of Unruh's. So I gave the tickets to the wives, Gordon Luce's wife-- eight girls sat up there.

Morris: What a great experience for them. Did you have any chores talking to the--was it the Florida delegation that was--?

Volk: No. As an alternate.

Morris: But they didn't even ask you to--?

Volk: We had some meetings and stuff like that. It was an interesting experience, let me put it that way. But no, no active, really active role in promoting the Reagan candidacy.

- Morris: Did it seem to you that there was from then on going to be a consciousness of the potential of electing Mr. Reagan president?
- Volk: Oh, yes. I thought '68 was way premature. It was hard at that time to really think of anything other than Nixon and his experience.
- Morris: There was also a fairly strong head of steam that Rockefeller should not get it. Was that part of the interest in planning a Reagan campaign?
- Volk: I think the primary interest, as I could measure it, and that would be principally through Gordon Luce and Ed Meese at that convention, was to get Ronald Reagan prominent as a favorite son candidate. I don't think anybody thought there was any chance of going all the way. But to the extent that you could secure sufficient floor votes to make him visible was the thing.
- Morris: You younger men with some experience in practical politics seem to have thought that it was not yet a possibility. Some of the older men, some of the kitchen cabinet men, seem to feel that they almost pulled it off, that it could have been done.
- Volk: I'm sure they do. They were very dedicated to that. I personally had mixed emotions, because I knew Dick Nixon very well. Dick was a very close friend.
- Morris: So you went as an alternate delegate in the California delegation.
- Volk: I was committed to Reagan in the delegation. But if you're talking about the overall byplay and the kitchen cabinet and the Rockefeller--the guy who had the credentials was Nixon.
- Morris: And the fact that Mr. Reagan was there as a favorite son with potential, did that have some fallout later on in the governorship, after Nixon won the presidency? Did it sour relationships between Reagan and people who were more closely identified with Nixon?
- Volk: I don't think so. Fundamentally the people that get involved in campaigns, the women's groups and this type of stuff, are the people that are highly emotional on issues.
- Morris: That's true.
- Volk: The people who are there--you understand I'm going to vote against you today and here's why. There's a maturity about it. I remember in the Goldwater campaign when Barry Goldwater won the California primary, I was up in the suite and Jake Javits came on television,

Volk: and I'll tell you most of the people in that room would have strangled Jake Javits if he'd walked into the room. And I went back to Washington, D.C. the next day for a client on a CAB [Civil Aeronautics Board] proceeding, and called Al Cranston when I was back there, If you're back there, you make your calls so that you maintain your contacts.

And Alan said, "Bob, you've got to come over to the Senate today because we have a civil rights vote." If you recall that time, they wheeled Clair Engle in in a wheelchair, and they had a hundred members of the Senate there. It was a very historic time. So Alan got me into the gallery. And it was the first time that Goldwater showed up on the floor since the California primary, and his seatmate was Jake Javits. Ever since then, I said that's a lesson I have learned in life.

Morris: Right. They could sit beside each other in the Senate and--

Volk: And shook hands, and they're good personal friends.

Morris: Punch each other's lights out when necessary.

Volk: Yes. So the bitterness in politics generally is in those that are on the peripheral. I have to use the word generally.

Morris: Even across party lines.

Volk: Sure. Look what Jess did for me. Jess and I are still good friends. If I go up to Sacramento, I'll go in and sit down with him. Not that I am personally fond of the man, but on the other hand, we've always enjoyed a good, honest relationship. And Jess will continue to be a force to be reckoned with in the California political scene.

Morris: Is there a possibility that he might end up as a candidate for governor again?

Volk: I don't think he's in the treasurer's job just for the money.  
[laughs]

Morris: True, but you get a sense almost that he's an elder statesman at this point, although he would froth at the mouth if it was suggested, I know.

Volk: An elder statesman candidate after Jerry Brown might be just what the Democratic party would be looking for.

Morris: It worked for the Republican party, after all.

Volk: Yes. Jess is very bright, very capable, so I never discount--

Morris: And tremendously experienced.

I had not heard before about wheeling Clair Engle onto the floor. Most of the crisis that year, aside from his own physical shape, was whether or not he was going to be allowed to run for Senator, who was going to step in and get his seat.

Volk: I forget what happened to Clair. He either had a massive--

Morris: He had a brain tumor. He'd had surgery and there was a sort of holding action in which the people close to Engle said he's getting along fine, his doctors say that he will recover.

Volk: You could look this up, because this would have been--I think it was the Thursday after the June primary in 1964, so it was within three or four days after the primary in June '64 and it was the big civil rights bill. I guess that they had finally cut off the filibuster and forced it to a vote. I recall sitting up there and watching Clair Engle being wheeled in. The vote was very close, if I remember, and all one hundred Senators were there.

Morris: See if you can reconstruct any more about watching him wheeled in. Did he speak? Did he vote?

Volk: He cast a vote. He did not speak. The speaking was quite limited.

Morris: If the filibuster had finally been cut off--

Volk: The filibuster had been cut off. There had been a closure vote on that. I think Barry Goldwater was congratulated by one of the Senators. You're back pretty far now.

Morris: I know, but as you say, it's a historic occasion. Sometimes those really stick in your head.

Volk: What stuck in my head more than the civil rights vote was that remarkable scene of Barry Goldwater and Jake Javits. Because I was one of those in the room that--"Oh, Javits" [makes a disapproving noise] and that really just took all the wind out of my sails. You learn something about the maturity of the political process.

Morris: You think of mature as being what is viable?

Volk: Yes. I think what is pictured to the American public through the press is sensationalism. I'm sure if you got in behind Tip O'Neill you'd find Tip has some very good friends of very strangely different philosophies. Two of his great friends in the Senate I



Volk: think were Kuchel and [John J.] Sparkman, for example. And you'd move them way apart. I used Tom Kuchel as a lobbyist in '69, '73, on bank holding company laws. You find great friendships.

Heck, two or three years ago in the closing of the legislature--it might be more than that, four or five--I had my number two son with me. We were on our way up to Lake Tahoe. Flew into Sacramento. I said, "Bill, let's drive up later tonight and let's go over and see what's going on in the legislative closing." Ran into Leo McCarthy.

He said, "Come on in, Bob. Just trying to wind this up." And here was Leo and a whole bunch of guys in shirtsleeves in the office, Leo's office, all having drinks. Brought Bill in with me. I said, "Now just sit here and be quiet and listen what goes on here. You're going to get an education in what happens in the legislature." They don't mind your walking in and having a drink. They might go out on the floor and debate like can be, but--

Morris: They can also sit down and say, "This is what we need to get this bill out. We can do this if you can do that."

Volk: You scratch my back today and-- Unfortunately, that results in a lot of this Mickey Mouse legislation where representative districts get special appropriations, because if you'll vote for the appropriation in my district, I'll vote for the appropriation in your district. So all the districts get it.

Morris: That's interesting. I've just been reading a book about issues in the 1980s. There's a piece that talks about that kind of thing, the point being that there is a lot of very detailed legislation that conflicts with the overall principles that you might think were in the best interest.

Volk: Right. It drives me crazy. Right up here in the city over on Crenshaw, the City of Lomita, which is kind of a rundown area, took and put beautiful red cobblestones and planting for about a half-a-mile strip, all of this down the main street, on which there's either a bar [laughs] or some kind of thrift shop, things like this. And you know perfectly well it was an appropriation that if they didn't spend, they would not get another appropriation. It drives me nuts.

Morris: You certainly have given us some really good background on how things get done and some of the ideas that you were working on and the Governor was working on.

Volk: One of the things that I'm proudest of is getting that securities law revised. What I did on it is really put together in the beginning the history of the California law and how the bill was passed.

[End of interview]

Transcriber: Sam Middlebrooks

Final Typist: Ernest Galvan

## TAPE GUIDE -- Robert Volk

Date of Interview: September 29, 1982

tape 1, side A

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tape 1, side B

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tape 2, side A [side B not recorded]

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# Modernizing Corporate Securities Law

THE PROPOSED Corporate Securities Law of 1968 is not the first, but rather the fourth effort in nine years to bring about significant change or revision in the California Corporate Securities Law! In the 1959 General Session of the California Legislature, AB 2531, a version of the Uniform Securities Act, failed to win legislative approval. Similarly, in the 1961 General Session, AB 1551, a modified Uniform Securities Act failed the test of legislative approval. In the 1967 General Session, AB 100 was not pressed into legislative hearing.



HON. ROBERT H. VOLK

The purpose of this article is not to discuss the merits of the prior proposals or the reasons why they failed to reach final enactment into law, but rather to explore the inherent problems under the present Corporate Securities Act<sup>1</sup> which, from the viewpoints of both the industry and the Division of Corporations, prompted those efforts at change. An understanding of the problems will, hopefully, help place the present proposed revision into perspective as a solution to those problems.

In order to place the present Corporate Securities Law in that perspective, it is necessary to review circumstances and economic conditions which existed in 1917 when it was adopted by the legislature to replace the Investment Companies Act,<sup>2</sup> the State's first attempt at a Blue Sky Law. The Blue Sky problems, which faced the legislature at that time, were primarily problems relating to a local securities market. Business enter-

prises seeking capital through public financing, because of the inherent limitations in the transportation and communication facilities of that area, were limited to a local market made up of the population area surrounding the location of the business activity of the issuer. Underwritten offerings on a major interstate scale were virtually unknown, and the legislature was not faced with the question of regulation of such offerings. It is, therefore, easy to comprehend the adoption of the strict permit system for review of stock offerings, underwritten or not, for local business enterprises and the lack of a comprehensive regulatory framework for the firmly underwritten issue of a corporation with its principal business locale outside the State of California.

There have been many changes and amendments to the Corporate Securities Law over the past 50 years which were considered by the authors of the times to constitute major revisions. However, none of the amendments have substantially changed the regulatory concepts or framework of the law. Further, the problems under the present Corporate Securities Law have been compounded by the rapid changes in securities markets and facilities for distribution of securities which we have witnessed in the past 20 years.

In order that the problems and any proposed solutions thereto might be subjected to the scrutiny of our standing lawyers in this State, who could bring to the question long experience with the Corporate Securities Law, I appointed a committee to undertake the project of reevaluation of our system of corporate securities regulation. In appointing this committee, I considered it imperative that the members represent many different and perhaps divergent viewpoints, some favoring strict regulation and some less so, in order to bring to bear upon these problems and the solutions thereto as many different points of view and philosophies as was reasonably possible. The committee, to whom I am personally grateful for their efforts and unselfish devotion of time, consists of the following: Earl C. Adams, Esq., partner, Adams, Dugan & Hazeltine, Los Angeles; Walter G. Olson, Esq., partner, Orrick, Herrington, Rowley & Sutcliffe, San Francisco; Paul L. Davies, Jr., Esq., partner, Pillsbury, Madison & Sutro, San Francisco; Harlan F. Harnsmead, Esq., partner, Driscoll, Harnsmead & Carpenter, San Diego; Richard W. Jennings, Esq., Professor of Law, Boalt Hall, University of California, Berkeley; The Honorable John T. Knox, Assemblyman, Richmond; The Honorable Robert J. Lagomarsino, Senator, Ventura; Harold Marsh, Jr., Esq., Professor of Law, School of Law, University of California at Los Angeles; Harlan A. Mattes, Esq., Assistant Commissioner of Corporations, San Francisco; Gerald S. Schutzbank, Esq., partner, Wyman, Bautzer, Finnell & Rothman, Beverly Hills, formerly Commissioner of Corporations; Graham L. Sterling, Esq., partner, O'Melveny & Myers, Los Angeles; and Robert H. Volk, Commissioner of Corporations.

(Continued on page 42)

<sup>1</sup>Commissioner of Corporations, State of California.

## MODERNIZING THE CORPORATE SECURITIES LAW

(Continued from page 20)

While the personal philosophies of the individual members of the committee might have dictated a slightly different approach to the solution and treatment of the various problems, each member recognized the necessity for proper weighing of individual preferences with a view to the development of a fair and balanced securities law in the interest of all people of the State of California.

*problems*  
One of the principal problems which has long plagued the business and investment banking community is the rigid requirement that a permit be obtained by every California corporation and by every "pseudo-foreign corporation" with its principal place of business in California for all types of offerings—from the sole proprietor investing his own money in his own business to the major, seasoned industrial corporation whose securities are listed on the New York Stock Exchange and whose offerings of securities are subject to Federal regulation through the Securities Act of 1933<sup>3</sup> and the Securities Exchange Act of 1934.<sup>4</sup> (It is interesting to note here that in its 50-year history the present Corporate Securities Law has never been amended to reflect the impact of the entry of the Federal government into securities regulation through the Securities Act of 1933 and the Securities Exchange Act of 1934.)

It is important to realize that this problem is also shared by those charged with the administration of the Corporate Securities Law. The requirement places an excessive paperwork burden upon the Division in the issuance of permits where the important impact of regulation rests in the review of the terms of the offering rather than the method of authorization for sale.

The proposed Corporate Securities Law of 1968 presents two solutions to this particular problem. In the first place, the exemptions from the law have been reviewed in line with the experience of the Division in the administration of the law, and application of the standards set forth in the law to the various classes of offerings. Recognizing the impact of Federal regulation and the standards imposed by the New York Stock Exchange through the Listing Manual and the Company Manual, the supervision of selling techniques by broker-dealers under the 1964 amendments to the Securities Exchange Act of 1934 and the Rules of Fair Practice of the National Association of Securities Dealers, Inc., Section 25100(c) the proposed Corporate Securities Law of 1968 would exempt from regulation securities listed or approved for listing upon official notice of issuance on the New York Stock Exchange. Further, the Division has not found it necessary to impose regulatory requirements on such offerings.

Another exemption of significance is that contained in Section 25102(h) relating to closed offerings. Two separate statistical surveys prepared by the Division of Corporations indicate that approximately 10,000 of the 18,000 permits issued by the Division on an annual basis would fall within the purview of this exemption. The typical small offering covered by the exemption involves an individual issuing stock of a corporation,

which stock is issued to himself and/or his spouse; it may involve partners and their spouses, all of whom are essentially buying stock in their own business. Important restrictions on the utilization of this exemption are that it is limited to voting stock, no promoter or selling expense is involved and the stock itself may be restricted as against secondary transfer to prevent redistribution to the public without further qualification. The requirement that a notification of the utilization of this exemption be filed with the Commission accompanied by the written opinion of an active member of the State Bar of California, places a significant degree of regulatory control over the issuance of securities through the lawyers' supervision of this transaction. Thus, the California investor does not remain unprotected in the closed offering exemption.

The second solution to the problem of the permit requirement is contained in the registration procedures for qualification of securities for sale in the State of California under Chapter 2 of Part 2 of the proposed act. Essentially, the registration procedure "co-ordination" for the offer and sale of securities pursuant to a registration statement filed under the Securities Act of 1933, which has been adopted by many other states, will be followed in California. The primary benefit of such a procedure is to facilitate the procedures and coordinate the time at which an interstate sale of securities can commence in California at the effective time of the Federal registration statement.

The permit procedure has similarly been eliminated in connection with offerings of securities not subject to registration under the Securities Act of 1933 by companies registered under Section 12 of the Securities Act of 1934. Such securities become eligible for sale automatically upon the expiration of a specified period of time, similar to the coordination registration, provided that prior to such effective date the Commissioner has not issued a stop order pursuant to an affirmative finding that the sale of such securities is unfair, unjust or inequitable.

A further significant problem is solved by the adoption of the foregoing registration procedures and exemptions. The strict application of the permit requirement embodied in the present law to California corporations or corporations with their principal place of business in California, while not imposing requirements as to non-California corporations offering stock in California, is inconsistent with the philosophy of securities regulation. The effect of such a jurisdictional basis has been to impose strict regulation, substantive and procedural, over those corporations providing our State and our citizens with employment and a tax base, and favor by lesser regulatory requirements those corporations not providing our State with benefits. Such a framework has the effect of discouraging immigration of business into this State and in the opinion of many, has encouraged emigration from the State. The proposed act would relate jurisdiction and application of substantive standards on the basis of number of shareholders in the State of California.

Under the present law, the imposition of the exemption condition and the rather extraordinary emphasis on regulation at the time of original issuance and sale

been to a great extent brought about by the lack of adequate statutory jurisdiction in connection with secondary sales of securities or redistribution following original issuance. Under Chapter 4 of Part 2 of the proposed act such secondary sales would be subject to the jurisdiction of the Division of Corporations and certain registration requirements have been established in connection therewith. However, recognizing the extent to which the Securities and Exchange Commission regulates the dissemination of information in connection with and establishes insider trading liabilities with respect to companies with securities registered under Section 12 of the Securities Exchange Act of 1934, all securities of such companies are exempt from such requirements of registration and qualification for resale in California pursuant to Section 25101 of the proposed act.

Another significant problem under the present Corporate Securities Law to business and practicing bar is that of the "void" security, which has been issued in noncompliance with the requirements of the Act.<sup>7</sup> Under this concept the substantive remedies of the defrauded investor are inadequate under the present law. This problem has been resolved by the establishment of specific fraudulent and prohibited practices set forth in Part 5 of the proposed act and by the designation of civil liabilities set forth under Part 6 of the Act, with appropriate statutes of limitation.

It is interesting to note that under the framework of the proposed act, even exempt securities are subject to the fraudulent and prohibited practices and civil liabilities. This facet of the act is of major importance in permitting the expansion of exemptions and provides the investor with increased protection against fraud in connection with both exempt securities and securities qualified under the proposed act.

<sup>1</sup> California Corporations Code, Section 25000 et seq.

<sup>2</sup> California Statutes 1913, Chap. 353, p. 715.

<sup>3</sup> California Corporations Code, Section 25500.

<sup>4</sup> *Western Air Lines v. Sobieski*, 191 Cal.App.2d 399 (1961).

<sup>5</sup> 48 Stat. 74; 15 U.S.C. Section 77a-77aa, as amended.

<sup>6</sup> 48 Stat. 881; 15 U.S.C. Section 78a-78jj, as amended.

<sup>7</sup> California Corporations Code, Section 26100.



Robert H. Volk

## California Growing In Mutual Fund Importance

by Robert H. Volk

*Commissioner of Corporations, State of California*

It is particularly fitting that this conference should be held in California as this is the leading State in the nation for mutual funds sales. While there are no really accurate records of aggregate mutual fund sales in California, estimates seem to run from a low of around 22% to a high of 28% of total national sales. In one recent offering of a "dual fund" 70% of a \$100,000,000 offering was placed in the State of California. It is obviously fair to conclude that the fertile ground of California has been a significant factor in the growth of the mutual fund industry.

In view of the importance of this State, the attitude of our State gov-

ernment and particularly those in government involved with the regulation of the securities industry is of singular importance.

This relationship of government and industry is a source of much comment today and one which certainly deserves reexamination, with particular emphasis on the role of the regulatory agency and its relationship to business. Rather than commenting on an academic basis with respect to this subject, I thought I might tell you of the philosophy and accomplishments of the administration of Governor Reagan here in California and its view of the proper relationship between the regulatory agency and business.

None of us can deny that the business regulatory agency serves an important function. There is in our society, and has been since the birth of social order as we know it, a certain percentage (small) of people who will abuse or defraud others. It is because of this fraction that a regulatory structure must be developed — not for the 99% of our citizens who have integrity, morality, and conscience, but for those few who lack one, if not all of those characteristics.

The regulatory effort, however, should not be so overemphasized as against those few who would abuse as to unduly burden and restrict the free economic activity of those citizens with respect to whom no such regulation is necessary.

In other words, we must balance the size of the net or web of regulation that we cast out to the size of the catch that we hope to obtain. We shouldn't obliterate all wild life in Yellowstone National Park simply to solve the problem of a few unruly grizzly bears.

### *Forgotten Man*

In the discussions and arguments we are hearing today concerning investor protection, I am personally concerned that there is a forgotten man, namely, the entrepreneur or business man. If I were to examine the foundations of the capital market today I would have to bring into the forefront the entrepreneur who through his talents and energies seeks to produce capital or consumer goods or services for the enrichment of our society.

This man to so produce requires capital and this capital when infused into the business activity provides employment for our citizens and a tax base to support necessary government services. If, as a Justice Department official once said, "I don't care if there are only 35 brokerage firms in the country," I am afraid that we may remove some of the most important underpinnings and foundations of the economic stability in this country because we may reduce substantially the avenues and firms which would enable the entrepreneur to seek competitively new capital through the public capital market. It is the obligation of the business regulatory agency to continue to balance interests so that the burdens of regulation do not unduly hamper or perhaps even foreclose the opportunity of productive economic development.

In this connection it is important that those charged with regulatory responsibility move cautiously and carefully when changing an economic structure or imposing economic restrictions so as to measure the long term effects and perhaps hidden side effects of those regulatory steps. Just as new drugs are carefully tested under restricted circumstances for

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Report on the 20th Annual International Mutual Fund Dealers' Conference, held in San Francisco in November 1968.



number of years to determine whether or not there are any bad side-effects, it is important to approach changes in the structure of our capital market as are being discussed today, carefully, cautiously and studiously to insure that there are no bad side-effects which in the long run would create an economic illness in this country.

As a matter of fact, our approach in California has been primarily to avoid power in the hands of an administrator to bring such change about by administrative fiat. Rather, we have sought through long studies and through the introduction of legislation to make such changes through the form of our political processes so that there is a full dissemination and exposure of ideas and thinking, and a hopefully adequate measure and examination of the consequences of change.

In California we have had for 51 years a securities law that was enacted in 1917 and the structure and emphasis of which was directed to the problems of "blue sky" in California in the pre-1920 era. This law has remained virtually unchanged and has become increasingly burdensome and overrestrictive with lack of legitimate purpose on the business community in California.

### Major Part

A major part of the program of this administration for the legislative session of 1968 was the introduction and successful passage of the Corporate Securities Law of 1968 which

better balances the regulatory effort, removes many of the burdens and concentrates the efforts of the Department of Corporations on that small fraction that would abuse. Without going into detail, suffice it to say that the Department of Corporations issued a record of over 22,000 permits for securities offerings during the last fiscal year ended June 30. As of Jan. 2, 1969, the workload will be reduced by 62% by reasons of exemptions from the burdens of regulation where such is no longer necessary in today's markets. This is a new and long-needed revision and modernization of the securities laws of California.

Let me give you a specific example in California where this balance has been substantially improved. Under the present law, which is living its last year, corporations in every other State can issue their securities under an exemption for private placement to a California institutional investor. California firms, on the other hand, which sell securities in a private placement to those same institutional investors must submit themselves to the regulatory requirements of registration and permit. As a result, in a blindness to economic responsibility, the State of California succeeded in discriminating against its own business firms who supply it with a tax base and employment. This impediment to economic growth has been removed in our new Corporate Securities Law.

Now, let's take a look at another side of regulatory responsibility and the philosophy of Governor Reagan in bringing businessmen and busi-

ness practices to the forefront in the administration of our State government. In February of 1967 when I took office as Commissioner of Corporations there were authorized to the Department 430 employees with 417 employees actually on the payroll. As such, the Department of Corporations constituted the fifth largest securities regulatory agency in the world with a staff larger than the combined staffs of the other 49 State administrators, the second largest being Texas with 35. By the application of simple, modern business management techniques, the elimination of make-work, unnecessary duplication and antiquated procedures, the staff has now been reduced to approximately 300 and will be further reduced following the effectiveness of the Corporate Securities Law of 1968. It is interesting to note that with the staff reduced by over 25%, the Department is producing a workload which exceeds the prior year's workload by about 25%. Without the application of good sense, the staff of the Department of Corporations would have climbed to well over 500.

### Other Aspect

There is one other aspect of the business approach to government I would like to mention. Too many times the management and policies of regulatory agencies are dictated by career civil servants who have never been exposed to the private sector of our economy. I do not think that a properly balanced regulatory structure can be evolved as a result of such staffing. I think we should dispel once and for all the notion that a businessman from the private sector is always for business and would destroy a regulatory agency. This is ridiculous. What is significant is that the businessman who enters the regulatory agency knows the practical effect of regulation and having been on, so to speak, both sides of the fence can bring a balance to such regulatory policies and philosophy that it is impossible to achieve without business exposure. Rather than to be anti-regulation, I would say that the businessman in government perhaps is more acutely aware of its necessity in certain areas and becomes more effective in directing the efforts of his agency as against those who would abuse. He has a better view of the size of the regulatory web needed.

We have a record in California as a result of this administration in this agency and other agencies in which we as citizens of California can rightfully be proud. The welfare of this State is directly related to the health of its economic activity and we must keep such thoughts foremost in mind when charged with a responsibility of governmental business regulation.



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Harry Lucas

NEW APPROACHES TO VOCATIONAL REHABILITATION

An Interview Conducted by  
Gabrielle Morris  
in 1983







HARRY J. LUCAS

ca. 1983



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I INNOVATIONS IN THE 1960S

[Date of Interview: April 27, 1983]##

The Center for Independent Living; Rehabilitation Aides

[preliminary discussion about vocational rehabilitation services]

Morris: I wondered whether CIL [Center for Independent Living] is the first of its kind, or if there were others around the country getting started about the same time.

Lucas: No, I would say actually that the pioneer was right here; it was CIL.

Morris: Are there branches elsewhere in California?

Lucas: There are other independent living centers throughout the state. There must be twenty, twenty-five.

Morris: Around California?

Lucas: Yes. And there are disabled student programs in many of the colleges and universities. All of this probably was an outgrowth of what was first started at Cowell Hospital [the student health service at U.C. Berkeley].

Illinois University at Urbana did quite a bit on removal of architectural barriers, but it wasn't the same concept as the independent living center or the Cowell Hospital project.

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##This symbol indicates the start of a new tape or tape segment.  
For Tape Guide, see p. 45.

Morris: That's interesting. I thought before we got started on this, you might like to take a look at one of our finished oral histories. There are some pictures in it--

Lucas: I've got my picture with him [Reagan], too. [laughter]

Morris: Good. He was good on photo opportunities when he was governor.

Lucas: Yes, and he was always beautiful with people who served on his committees, especially those which met in the state capitol. He would manage, with his boards, to come into their meetings once in a while.

Morris: Come around to each department?

Lucas: Yes. I mean, especially his boards; not his departments so much, but his boards, special boards. Like the Council on Developmental Disabilities, on which I served. He came into our meeting one time. Of course, members of the council are citizens from all over California. Plus a few professionals. He'd come in, meet them and thank them for the work they were doing. The photographer was always there to take their picture with him. We'd all get a copy and, of course, we were all always very proud of that.

We once did a film over at the University of California at Berkeley for the Council of State Administrators of Vocational Rehabilitation. I don't recall what university department made the film, but they also helped with audio-visuals, made tapes, and so forth. It may still be over there. The film was on the use of rehabilitation aides. At that time it was a new concept we were using in California, and the other states were interested in it. I actually went down to Florida with the tape and made a presentation to the CSAVR on rehabilitation aides and what they could do.

Morris: Great. When would you have made the film?

Lucas: It must have been sometime around 1967 or 1968. We actually interviewed some rehabilitation aides about what their roles were and the approach that they would take in serving the vocational rehabilitation needs of disabled persons. What we were trying to promote is the idea that there are many different kinds of approaches and many different kinds of aides, that they could be helpful in the rehabilitation process, but administrators must pre-determine how the rehabilitation aides would be used.

One was whether or not they were going to be an assistant to the counselor, for example, and carry forth instructions from the counselor, or whether or not they were going to be the disabled

Lucas: person's representative and be an advocate with the counselor. But the administrator had to make up his/her mind what was wanted.

Morris: Is that the paraprofessional kind of idea?

Lucas: Yes.

Morris: So you were developing jobs, which became positions for aides, too.

Lucas: Yes.

Morris: That's an interesting idea.

#### The Concerted Services Project in Contra Costa County

Lucas: We started using them in a project out in Pittsburg, California called the Concerted Services Project (CSP). The CSP worked closely with the community's neighborhood councils. These were very, very poor folks and most of them were minorities. The councils were formed to carry out a self-government idea typical of War on Poverty programs. There were only three similar projects going on through the whole country. One was in Pittsburg, one was in St. Louis, and one was in maybe New Haven, Connecticut, or someplace in the eastern U.S.

Morris: Was the department involved in Pittsburg being selected?

Lucas: Not necessarily in being selected, but in developing a key program within the CSP. It was along the same self-determination concept as the Center for Independent Living. Here was something which was growing up in the community and representing a different approach in meeting the needs of disadvantaged people. Here was an opportunity for the Department of Rehabilitation to lend a helping hand. But we needed to secure project funding in order to do it. So we submitted a proposal for a project to the federal government for the vocational rehabilitation of the disabled folk living in Pittsburg. Specifically, Columbia Circle was the neighborhood in Pittsburg and in CSP. Our idea was to rehabilitate the disabled people in the CSP who needed vocational rehabilitation. When our project proposal was approved, we became a part of the Concerted Services Project.

Morris: You had already identified and were in contact with people who were disabled in the community.

- Lucas: In general, yes. However, this was more of a concerted effort in conjunction with the other services that were being provided through that overall CSP project. So we had a project within a project.
- Morris: Right. It wasn't just that there were other state departments involved.
- Lucas: Not necessarily.
- Morris: Not necessarily. Other community agencies.
- Lucas: So we provided vocational rehabilitation services for those disabled folks that were out there. And working directly with the neighborhood councils was a unique approach.
- Morris: The neighborhood councils that I'm familiar with were in the '40s and '50s and were related to juvenile programs. Now, is this a different kind of neighborhood council?
- Lucas: Pittsburg had juvenile programs. They had housing programs. They had self-help programs of all sorts. All these services were coming in to this community. Many times one agency didn't know what another one was doing, so the idea was to try to coordinate all of them. Frankie Jacobs was the director of CSP at that time. Henryk Blum was one of the supporters of the whole concept.
- Morris: He was head of the Contra Costa County Health Services at that point, wasn't he?
- Lucas: Yes, he was. I don't know whether he's still at the University of California now or not. But I know he left his job with the county and went over to the University of California and was in the department--
- Morris: He was in the School of Public Health about nine or ten years ago, but I'm not sure he's still there.
- Lucas: Yes. He was a real doer. Oh, my gosh, he was a live wire!
- Morris: Did he get in touch with you, or did you get in touch with him?
- Lucas: [laughs] CSP was part of a bigger thing, as far as we were concerned. All of Contra Costa County, through his leadership, was involved. Of course, there were others of us that were trying to do our part, too. I was district administrator of the Voc Rehab program in Oakland which included Contra Costa County at that time. There was a Council of Community Services to which we belonged.
- Morris: In Contra Costa County?



Lucas: In Contra Costa County. There was Dr. Blum; Dr. Girtman from the Contra Costa County Hospital; Mr. Jernigan from the Welfare Department; Mr. Sax, the executive director of Community Services. We were all very, very active and trying to do things in coordination with one another.

Morris: Was this tied into the United Way at all?

Lucas: Yes. I think it's still affiliated.

Morris: There was a Bay Area Social Planning Council in the '60s. There were county councils of social planning that then fed into a federation of planning.

Lucas: Right.

Morris: Are we talking about the Contra Costa unit of that?

Lucas: Right. That's what we're talking about. That's what we were involved in. Anything that was going on in Contra Costa County, this group would know about it, and we would try to do things together and coordinate program activities. It was unbeknownst to any of us that they even had a CSP in Pittsburg. All of a sudden there it was. It was funded by the federal Department of Housing through a grant from the Department of Labor.

Morris: Was this the Model Cities kind of thing?

Lucas: It was a Model Cities grant program, I think.

Morris: And you didn't know about the Model Cities thing?

Lucas: We didn't know that they were even in the running for a grant. And all of a sudden, here it was, with a big national presentation, and so forth. And a plea for other agencies to get involved.

Morris: That's interesting, that with so many people from different agencies involved, there was still room for Model Cities to be developing its own project. How would that happen?

Lucas: I guess that they had been cited for the very, very poor housing in the Columbia Circle neighborhood. See, they located on Camp Stillman, the old grounds, and there were all the tarpaper barracks up there in which the people were living. I think it was cited by the Department of Housing. I'm not sure.

Morris: I think it was HUD that was the sponsor of the Model Cities program. But, as I recall, didn't they have in some places a local election kind of thing to choose the people who were going to be the local

Morris: Model Cities governing board? They were reaching out to a whole different group of people than the existing agencies. Is that what you were running into?

Lucas: Gosh, I'm so hazy on that. I suppose it was either that or a variation of it. This is where the neighborhood councils existed; they virtually ran the project and were on the executive committee of the Concerted Services Project. And as I said, the California Department of Rehabilitation had a project within the CSP project.

Morris: Right. But then they asked for other people to come in, and the Department of Rehabilitation saw that as an opportunity?

Lucas: Yes.

Morris: That's great! Were these ideas that you'd been looking for ways to institute yourself for some time?

The 1965 Rehabilitation Act Amendment: Federal Funding for State Programs

Lucas: You see-- I was just looking this up; it was the 1965 amendment to the Rehab Act, which opened up research and demonstration grants on how to reach more disabled people.

Morris: This is the federal?

Lucas: This is the federal. But see, the Vocational Rehabilitation Program is a federal grant-in-aid/state administered program. In order to secure a federal grant-in-aid, state agencies develop state plans which will meet the federal criteria, and then are granted funds.

But anyway, Congress did put into the amended Rehabilitation Act authorization for research and demonstration grants on how to reach and serve more disabled people. The Rehab Act also authorizes innovation and expansion grants, on how you might use new ideas to reach more people that needed vocational rehabilitation. So, in spirit, CSP was just like the Cowell Hospital Project. This was another way of reaching more disabled people, so we applied for a research and demonstration grant and got it. That grant funded our part of the program out there in the Pittsburgh CSP.

Morris: In your work, and in the department in general, what kinds of statistics were there? Were there many people that you felt weren't being reached?

Lucas: Oh yes. Even today I doubt if more than 20 percent -- well, I'm being generous there -- I'd say more like 10 percent of the people who conceivably would be eligible and need vocational rehabilitation services are being served.

Morris: Why is that?

Lucas: Funding. Lack of sufficient funding is one reason for it. Another reason for it is that people do not understand the program, how they might be able to use it, and so forth. I think that understanding is getting better.

Morris: What do you include in the definition of disabled people?

Lucas: First of all, there must be a medical disability which can be defined. Then that disability itself must have some sort of limitation which would present a barrier to employment. In other words, a disability must be a vocational handicap. And it can be anything. It could be mental, emotional, physical, in some cases even cosmetic. By the same token, it doesn't mean that everybody who has a disability is eligible. For example, I have a disability that you can define. I have a stiff knee, a partially stiff knee. If I were a ditch digger and this happened to me, I couldn't dig ditches. I couldn't push a shovel, you see. But since I am an administrator and do not use my knees in my work, it would not be a vocational handicap at all, so I would not be eligible. But a ditch digger with the same condition could be eligible.

Morris: In the '60s, the period we're talking about, were these primarily birth defects or accidents or people who had had strokes or some other kind of medical problem?

Lucas: It was everything. There was a push to serve more and more of the severely disabled. In the '60s we were beginning to see more residuals of polio. We were beginning to see more motorcycle accidents, motorboat accidents, diving accidents. Many young paraplegics and the quadraplegics were the results of these catastrophic events.

#### U.C. Berkeley's Cowell Hospital Project

Lucas: In the Bay Area -- and I'm getting into the Cowell Hospital project here -- there was a recognition of the general and overwhelming need for medical rehabilitation services. So right there in the Bay Area at Fairmont County Hospital a medical rehabilitation center

Lucas: was developed. Primarily it started off serving the medical rehabilitation needs of polio victims. Then Herrick Hospital in Berkeley developed their medical rehabilitation center. Then out in Vallejo the Kaiser Rehabilitation Center was in operation.

Morris: Kaiser sort of concentrated on cardiac problems, didn't it?

Lucas: Oh, it was also very much on the physical, too. Dr. Sedgwick Mead was very interested in all types of disabled people. But they did have their physical rehabilitation center out there. Then in Contra Costa Hospital they were starting to develop their capacity more and more to serve the needs of the physically disabled people, severely physically disabled people

So a lot of these severely disabled people were coming out of these medical rehabilitation centers, but then as they would come out, there really wasn't all that much for them. They needed more kinds of services. They needed services that would fit them better to jobs, both from the standpoint of accomodating them, and also from the standpoint of their acquiring work skills.

You also needed more of an education of the employer at that point in time. Because in the '60s it was just unheard of, really, for most employers to hire anybody that was quadraplegic. And even the paraplegics had trouble at that time.

Anyway, referrals of very severely disabled persons from the rehab centers were increasing rapidly. We were the district office of the Department of Rehabilitation in Oakland, serving Alameda, Contra Costa, and most of Solano County. So what I did do was that, instead of having all these referrals coming from all over the district referred to different general counselors, I appointed one specialist to handle these severely disabled referrals. Her name was Catherine Butcher. She is very important to our story.

Morris: Catherine with a "c"?

Lucas: Yes. B-u-t-c-h-e-r. She was a compassionate individual who developed extraordinary skills to serve these severely disabled people. As I say, all of these people were coming out of the Rehab Centers, and the employment opportunities were limited if not non-existent. The opportunities to even place them in employment training were few. Most of them needed to acquire more sedentary work skill. Of course, their employment couldn't be of a physical nature.

So Catherine received these referrals from all these Rehab Centers. At about the same time, some of these people were making applications for entrance to U.C. at Berkeley. Do you know Dr. Bruyn?

Morris: Yes.

Lucas: Dr. Bruyn was at Cowell Hospital. I believe he was the administrator, the medical administrator. Or was he the head of the student public health service at that time? Or both?

Morris: It's the same job. He had been one of the leading pediatricians in town, and then he became the head of Cowell Hospital, which is the student medical service. There's also a research function, but I think his job was the student health service, which is spoken of as Cowell Hospital on the campus.

Lucas: Okay. So Catherine had several disabled students. We called her "Butch," which is short for Butcher. She was the most unlikely "Butch" you ever saw in your life. She was one of the most feminine women I've ever seen. [laughs] I told her one day when I first came to Oakland, "I can't call you 'Butch.'" I said, "From now on, it's Catherine." But within a week it was "Butch." [laughter] A very, very delightful person.

She had a couple of referrals who wanted to go to U.C. So she was trying to figure out some way to get them into U.C., and Dr. Bruyn at the same time was also aware of these people, because they had tried to enter U.C. and would need the Cowell Hospital for many different reasons. Many of them had respiratory problems subject to flare-ups which would require immediate medical attention.

The business administrator of the Cowell Hospital was a gentleman by the name of Carl Ross. Formerly, Carl was the administrator of the Mt. Diablo Therapy Center in Contra Costa County.

Morris: This is a private institution.

Lucas: Which was in Contra Costa. It was a nonprofit organization. Again, it was a grass-roots facility. Mr. Ross came from that facility to Cowell Hospital as the business administrator of Cowell. We knew him previously at the Mt. Diablo Therapy Center.

Anyway, they all saw this need to provide medical support for these severely disabled students, and to make the University of California more accessible to them. There just wasn't any established traditional approach that really could handle them. Well, I'm getting back to my story.

With the new research and demonstration projects available through the Rehab Act itself, the amendment, we became aware of some money that was available. We were able to get a project proposal with some special funding approved by the federal government. This was in addition to our basic vocational rehabilitation

Lucas: program. And [it] would allow us to do some extra things that we weren't allowed to do in the basic vocational rehabilitation program itself.

Our special funding was fifty thousand dollars the first year.

Morris: Did that require any Cowell matching money or any state matching money? [Lucas shakes his head.] Just a straight-out--?

Lucas: Straight-out, straight-out grant. It did not require any matching at all. It may have required some state, but we used our regular funds. Yes, it did. It was a ten-to-one match.

Morris: That's pretty generous.

Lucas: Yes, that was real generous. That's right. It was a ten-to-one match. So we were able to get started, and the federal people were cooperative on the whole thing. What this federal grant allowed us to do was to purchase some special things that were needed by these people, like pushers for the wheeled stretchers to take student/clients to class, wheelchairs, whatever they might need, note-takers, transcribers, things of that nature.

So we were able then to financially support about six students. That was about the number of the first students we enrolled as clients in the project.

Morris: Was one of them Ed [Edward V.] Roberts?

Lucas: Yes.\* Ed Roberts, John Hessler, Phil Draper. A couple of women were also in the project. I just can't recall the names of all who were in the project, but Ed Roberts was one of them, and John Hessler was one. And Jim McDonald, who is a lawyer now.

And Butch was their counselor.

Morris: Was she encouraging them to try for college, or did they come to her with the idea?

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\*Roberts, the first student in the residential program at Cowell Hospital, enrolled in 1962, according to the Disabled Students Council at Berkeley. The next disabled student enrolled in 1963 or '64, and the third in 1965. State Department of Rehabilitation funding for students in the program was approved in July 1967 for the start of that year's fall term.

Lucas: Some of them came right out of the Rehab Centers which I spoke about. Others were referrals from other parts of the state, particularly northern California. Ed Roberts came from the San Jose district, as far as rehab is concerned. I think he lived in San Mateo, somewhere around that area.

Morris: But did they hear about the program and then decide they wanted to go to college, or was it the other way around? Was the push coming from--?

Lucas: No, they began to hear about the program itself. And of course, some of our counselors who were in other districts, adjoining districts, knew about the project. It was written up in our little news releases within the department and that sort of thing. So that's the way the thing started to grow. Pretty soon fifty thousand dollars was nothing!

Morris: True. Inflation began to come along, too.

Lucas: Many of these students in the program had special dietary needs. So Dr. Bruyn was insisting that they have good food which required the use of a dietician. Such services were extra and had to be funded beyond our capacity to do so. So we drew in the local welfare department. They were saying, "Oh, this is a hospital. We can't pay for this sort of thing." Policy problems were frequent in the beginning. We had to bring in the state administrator of field support programs, Leon Lefson, to make a special ruling. So Leon came down from Sacramento and saw the problem. He was always very, very sympathetic, and his first approach on it was that, "Technically we can't do this thing." And we said, "Well, there is a need; we've got to do it."

Then somehow or another we got around the problem by saying Cowell Hospital wasn't a hospital but an extension of the student health service.

Morris: I see. It was an educational--

Lucas: It was a facility operated by the student association. It wasn't like other hospitals. Well, we began to have a little problem there, it seemed like, in the certification of it as a hospital. You know, all that kind of thing. Eventually, all the technical problems were resolved.

The Department of Social Welfare came around and gave special welfare grants that would cover the cost of these people as residents of Cowell Hospital. Then we made special stipends available to the Cowell Hospital of a hundred dollars a month per student to take care of the food, special diet needs. preventive

Lucas: medical services, and attendant services. Everything was coordinated by Cowell Hospital staff members.

Morris: Had Medi-Cal come along by this time? Was that of use?

Lucas: Medi-Cal was not of use. It seems to me that it was just commencing. Cowell Hospital services were not covered under Medi-Cal at the time. We were pushing like heck and testified before legislative committees to have medical rehabilitation center services covered by Medi-Cal. Dr. Mead from Kaiser Hospital was appointed as a chairman of a special task force to present facts to this legislative committee.

Eventually medical rehabilitation center services were covered by Medi-Cal, certain parts of it.

Morris: For the students, and then by extension to other people?

Lucas: First to other people; then by extension to students.

##

#### Conflicts Over Rehabilitation Priorities and Philosophies

Lucas: Very often a government agency will receive special funding to provide an extraordinary service for their general clientele. For example, Social Welfare had a special grant program to provide vocational rehabilitation services which would remove welfare recipients from their rolls. However, many times our disabled clients who were also on welfare would be denied enrollment in the Social Welfare rehabilitation programs by welfare administrators. Their refusal was based on their belief that we were solely responsible for the vocational rehabilitation of all disabled people. This is known as the "first-dollar" concept. It centers around which agency provides for the basic services and which agency provides supplementary services.

Of course, our argument always was, why should disabled people who are on your rolls be treated any differently than any other person who could get a vocational rehabilitation service through your program? Why are disabled people discriminated against in your program?

Morris: In terms of welfare grants or health services or things like that.



Lucas: Yes. So there was always that kind of struggle. There's still that kind of struggle with the schools on equal education. Maybe a student will need a hearing aid or something of this sort. Of course, it is possible under our program to buy a hearing aid, but we're limited in the amount of money that we have to spend. It is not our basic charge to provide hearing aids to everybody that needs hearing aids.

Morris: Right. Well, on some things -- a hearing aid sounds like a good example -- in some cases, it would be provided by the school district, and in other cases it would be provided by the rehabilitation department?

Lucas: Conceivably, it could be. But our argument always in that sort of thing is that all students are entitled to an equal education; schools are charged under the law to make this possible, so don't treat our clients any different than you would other students. That's pretty well straightened out now. But in the early days you always had that kind of argument going on: "You've got special money to do special things, you use your money." And of course, the problem we had in Rehab is that we just did not have enough money to meet the needs of all those who could benefit by our services.

So Rehab has always been not a rights program, but a privilege program. A rights program means that if you have all the qualifications, all the eligibilities, you are entitled. It's just a right. But where you don't have enough money, then there has to be some selectivity. So that's why we say Rehab is a privilege program.

Morris: When you come to the time for selectivity, what are the criteria?

Lucas: The criteria are first of all that the disabled person has a vocational handicap; second of all is that there is every reason to believe that the person can be vocationally rehabilitated. The selectivity factor then, after eligibility has been determined, really is whether or not you can rehabilitate the individual, whether the individual has the vocational potential that can be developed.

Morris: Under different department directors, would there sometimes be a change as to whether it would be the most severely handicapped and that kind of thing?

Lucas: You're very perceptive. Yes. Somebody is always evaluating your program's cost-benefits, your cost effectiveness, and so forth. There's always the people that hold the moneybags who are looking at that: How successful are you? Are you throwing your money away, or are you cost effective? Are you accomplishing the goals of the governor's office?

Morris: Does that tend to be the department's finance people, or is that the people in the state Department of Finance?

Lucas: That would be in the state Department of Finance; it would be in the legislature; it would be in the Congress when they appropriated money; it would be in the governor's office. How effective are you? Are you doing your job?

So there's always a struggle. Do you select those eligible people who have the most potential, or do you select those eligible people who have limited potential, but who have the greatest need? So you begin to have some struggles in that area of which group you are going to select.

Congress became very aware of that in the Rehabilitation Act amendments of 1975.

Morris: Fairly recently.

Lucas: Yes. And said to the state rehabilitation agencies that you will select those most severely disabled. At least 50 percent of your caseload will be the severely disabled. Then they had certain criteria for all the disabilities for the determination of severity.

Morris: How about within your group of people in charge of field services around the state? Were you unanimous in how you saw this, or were there some differences of opinion?

Lucas: Yes, and as you'd get different directors, you may have a director that would say, "I want an increase in the production of rehabilitations. I want you to select those with the most potential."

Morris: "I want numbers of people that we've trained and gotten back to work."

Lucas: Yes. And this isn't the numbers game that a lot of people talk about, because you're talking about disabled people who are eligible for services, who need services, and without your services couldn't be rehabilitated, but who have the most potential and are more likely to be [rehabilitated]. Your success ratio would be way up if you select these kinds of clients.

So you do have different philosophies. One director may say, "I want those." Then you might have somebody else, like Ed Roberts, who says, "I want to serve this other group. My greatest thrust is to improve the quality of their life."

Morris: Which is broader than just a vocational--.

- Lucas: Yes. And as a matter of fact, when Roberts first came in [as director of the California Department of Rehabilitation], he said, "I really don't care how many people you rehabilitate, just as long as you're serving people, and as long as you're serving the most severely disabled. I can accept a lot of non-rehabilitations."
- Morris: In other words, in that kind of concept, the department would become sort of a continual support service.
- Lucas: In that kind of concept, you're going to be selecting and serving those who have the greatest need and maybe in the eyes of some people those who are the least feasible for vocational rehabilitation.
- Morris: That sounds like-- Is it at all similar to the developmentally disabled, the regional center program?
- Lucas: In a sense.
- Morris: Kind of a lifetime care--
- Lucas: Now, in all fairness, even with the Ed Roberts philosophy, we're still talking about people who appear to have potential, but may take years to develop, may take thousands and thousands of dollars of services. It wouldn't be unusual to spend thirty or forty thousand dollars on an individual.

Gradually, as Ed Roberts got near the end of his tenure, he began to get into more of the vocational rehabilitation thrust and to cut back on some of the things that were too idealistic to begin with. Like every paraplegic or every quadraplegic being furnished with a specially-equipped van and that sort of thing. Of course I am oversimplifying.

## II EVOLUTION OF THE STATE DEPARTMENT OF REHABILITATION

### Department Directors

Morris: I'd like to go back and ask you about some of the people who were directors earlier. Who was director when this first set of amendments made so much more grant-in-aid money available? That would be the last years of the Pat Brown administration?

Lucas: Yes, that director would be Warren Thompson. He was the director at that time.

I can show you graphically what happened when the funding was increased. [shows graph. See next page] You can see some dramatic increases in the number of rehabilitations. This is when I came into the department [1952]. The year before, they'd just had a record number of rehabilitations. At that time, there was what they called a lot of skimming going on throughout the country.

Morris: Skimming?

Lucas: Yes, creaming. A lot of emphasis on selecting those whose handicap was not all that great.

Morris: Oh, working with the cream of the crop.

Lucas: Yes.

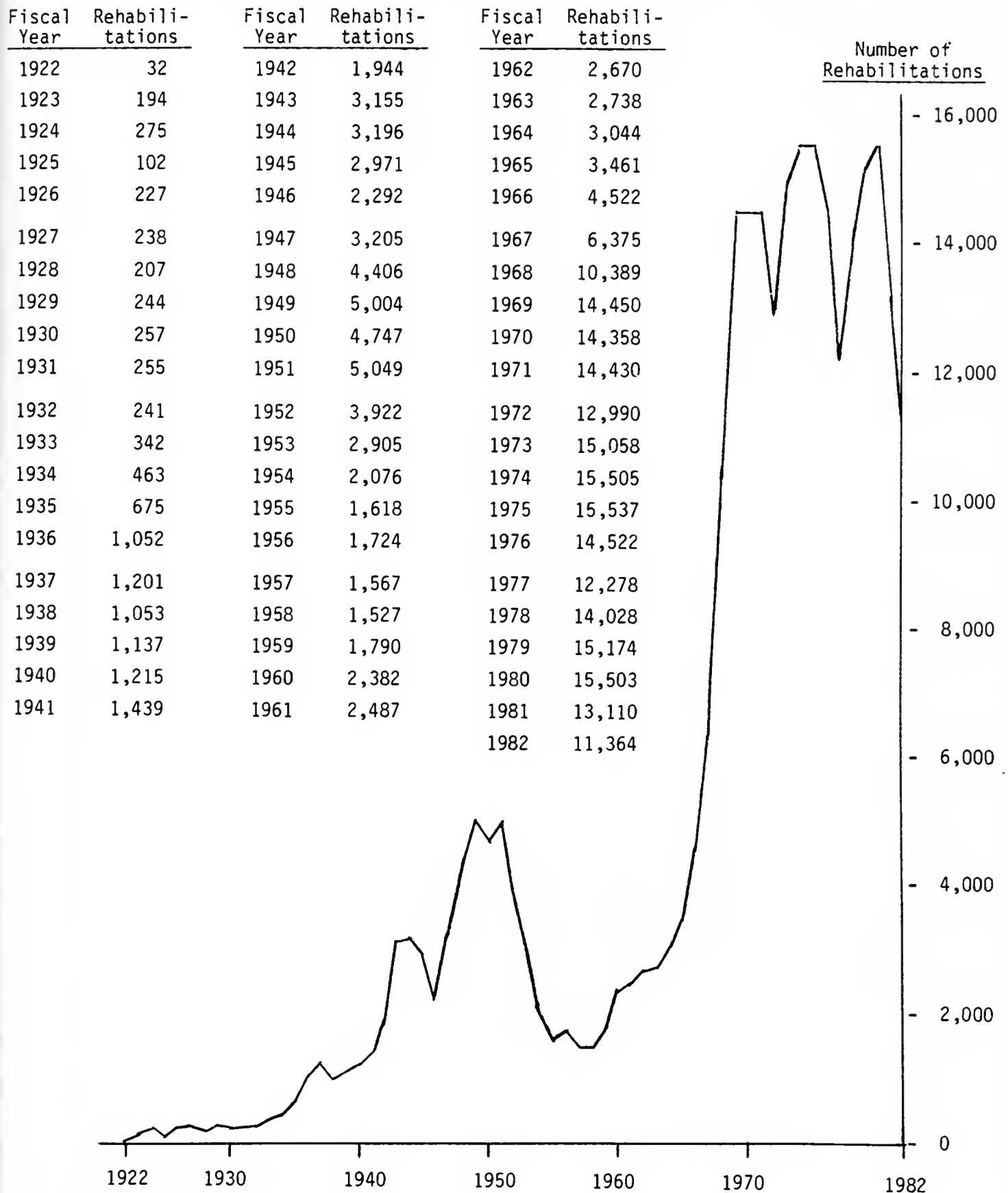
Morris: Not skimming the budget or anything.

Lucas: No, no, no.

Morris: I was just trying to clarify.

Lucas: Yes, I don't blame you.

## CALIFORNIA STATE DEPARTMENT OF REHABILITATION

FIGURE 1 - Number of Rehabilitations  
Fiscal Years 1922 - 1982

(from department annual report)

Lucas: See, this was a new program that just got started in 1921 and, as you can see, it developed over the years.

But anyway, there were some complaints about creaming coming in to the legislature (so I'm told) about that time. We were a bureau in Special Schools and Services in the Department of Education.

Morris: You were?

Lucas: Yes. There was a lot of concern in the legislature at that time, believe it or not, to get people off welfare.

Morris: In 1951. Yes, we were having a recession then, I think.

Lucas: Yes. Off and on, right after the Korean War. Anyway, the legislature wasn't all that fond of the vocational rehabilitation program at that time. The person who was the chief of the program at the time was Andy Marrin. Andy declared at legislative budget hearings, "Okay, what we're going to do is to put emphasis on rehabilitating welfare recipients, disabled welfare recipients." So he got his budget through, and the legislature became supportive of him. That was the message then that came out to the field.

By the way, when I came on, there were only ninety-two rehab counselors throughout the state; I was number ninety-two. I replaced a counselor who replaced a supervisor who was promoted to fill a vacancy when a district administrator died.

Morris: Musical chairs.

Lucas: Yes, musical chairs. Anyway, I was living in Fresno, wondering where in the heck am I going to end up. It turned out to be Los Angeles.

Morris: Which was the last place you wanted to end up?

Lucas: Yes. But that's where the opening finally developed.

Anyway, the message then was, "Okay, we're going to just serve disabled welfare recipients, and I don't care about numbers." [laughs] So I've been through that thing twice. This was in '52 when this de-emphasis on numbers started, and look what happened to the rehabs [referring to graph].

Morris: They dropped.

Lucas: Yes, from five thousand clear down to less than two thousand, which was our low point. I became a district administrator in 1957, in Oakland. But anyway, the number of rehabilitations went down, and

Lucas: then they tried to reverse the decreasing trend and say, "Hey, we are interested in larger numbers of rehabilitations. We are now getting criticism from the legislature [that] we're not rehabilitating enough people." [laughter] So anyway, then the word went out to the field offices, "You don't just serve people; you serve people for a purpose. You must become goal-oriented again. We want more numbers."

So then the rehabs started coming up again. One of the things which also happened was that the Rehab Act of 1955 put all state rehabilitation agencies on a formula for getting federal money that included in it a squaring of the average per capita income.

Morris: When you say everybody, every department?

Lucas: All states. Remember, this is a federal grant-in-aid program.

Morris: Right.

Lucas: Okay. California, being a rich state, got about one dollar for every dollar that the state would put up. So federal money was hard to come by, and the budget remained rather static. The southern states benefited greatly. This was the Eisenhower formula.

Morris: Right. In other words, they got more money if they spent less.

Lucas: They got more federal money because their per capita income was much less than California.

Morris: I see. Trying to equalize from state to state how much people would have available.

Lucas: Yes. The theory was that wealthy states can afford to do more on their own, and so forth.

Morris: I see. That's an interesting theory.

Lucas: Yes. That was an interesting theory but it did interfere with the growth of California's program. Anyway, then the Rehab Act was amended again. We started to get the research and demonstration grants. But another beautiful thing that happened was that they changed the matching ratio from one-to-one money in California to four-to-one. Our legislature continued to give us as much as we had before, but all of a sudden, look at all the federal money which was generated by the same state match.

Morris: Your budgets were tripled and quadrupled.

- Lucas: Yes. Warren Thompson at that time saw the opportunity for us to get more referrals and the need for us to go into programs where we've never been before. It was at this point in time that we had the same amount of state money, but we had more federal money. In addition to the greatly improved matching ratio, the federal government appropriated even more money which could be generated if the state developed more match.
- Morris: The federal government wanted a new match? They didn't want you to use your existing--?
- Lucas: Oh, you could use your old match, but it would generate additional federal funds beyond the increased ratio matching.
- Morris: If the state budget had been a million dollars, the federal government would give you three million, and then later on four million.
- Lucas: And in addition, they were putting up more money.
- Morris: Washington had more money available?
- Lucas: Made more money available.
- Morris: If you could find more money, they would match it. I see.
- Lucas: Okay. But we couldn't get increased funds from the state legislature to match the additional federal funds. There was this great need to serve disabled persons in a lot of programs in which we weren't involved that strongly. We'd been mainly serving just welfare recipients, so we started developing cooperative programs with other agencies. These cooperative agencies would put up the state match. When they'd put up one dollar, we would be able to match [that local dollar with] four federal dollars. So it was a wonderful method through which we could expand our vocational rehabilitation program with cooperative agencies.
- Morris: And this was when, in '66-'67?
- Lucas: It started right about that time. It takes at least two years, and more like three years, before you begin to see the results of new referrals. After you get a referral, you work with the individual, you determine eligibility, you determine what their vocational goal can be, you enter the individual into a program to reach that vocational goal, and finally the individual is placed into a job. It takes in excess of two years for that process to be completed.
- Morris: A long, long process.
- Lucas: Yes.



Cooperative Programs in State Hospitals and Prisons

Morris: Alan Post, in some of his Legislative Analyst reports, has commented that in things like the correctional institutions, while we have these people in custody, why aren't we equipping them to do something besides steal cars and rob banks when they get out. Was this one of the--?

Lucas: He was one of our strongest supporters.

Morris: Was he?

Lucas: Yes. And he just loved the program. Our cost/benefits and cost effectiveness were impressive. We went into prisons. We went into special education classes. We went into mental hospitals. We went into local programs where they were reaching out to the severely disabled. We went into places where we never were before to any great extent. We'd go into the back wards of state hospitals. They would work with us; they would develop cooperative programs. They would introduce a vocational rehabilitation concept with their clientele.

As a result, we not only were able to serve more people, but we were able to rehabilitate more people, and you can see how this trend began to climb. [referring to graph again] Our high point was 1976.

Morris: Yes. From '66, when it started, through '76, you go from four thousand to fourteen thousand. It triples.

Lucas: Ed Roberts came in around September, 1977. Then we reverted again to the "most in need" concept. The number of rehabs dropped off. Then he began to get more conscious of the need to satisfy legislatures, so the number of rehabs began to come up again. But then it went down again, too.

But anyway, this here was the influence--

Morris: Of the grant-in-aid program.

Lucas: Yes. Of the third-party financing, cooperative programs with local community agencies.

Morris: Was it mostly state agency programs, other state agency programs, or was it mostly city and county?

Lucas: A variety. We were into almost every state mental hospital throughout the state. Our Rehab programs were in almost every prison and Youth Authority facility.

Morris: Did your people go out and arm-twist in any other agencies?

Lucas: We'd go out and tell them what a good program they had and how we could help them serve their people more extensively and comprehensively. They liked it.

In order to comply with federal requirements, it was necessary for the practitioner's duties to become more vocationally oriented.

Morris: And make the practitioner a rehab counselor.

Lucas: Yes. And then we could take the practitioner's salary that the cooperating agency was paying and use it for matching purposes with the federal government. So it didn't really cost the cooperating agency any more money, just a restructuring.

Morris: That's one of the things that's become a big issue in terms of federal funding and state funding to the local level, that people were being more creative, rearranging their existing staff rather than going out and hiring new staff. Is there any way to deal with that?

Lucas: I think that naturally happens when you've got people who are interested in developing the programs. There were some bad practices that cropped up. Some administrators might say, "Mrs. Morris, this is what you're going to tell Rehab that you're going to do; however, I want you to do the same old thing." So there were some abuses that sprung up. As a consequence, it is no longer possible to use in-kind matching to generate federal funds.

Morris: You have to--

Lucas: The federal government won't accept it any more.

Morris: On any kind of Rehab program.

Lucas: In-kind matching is prohibited in Rehab; I don't know about the other service programs. But the interesting thing that they will allow is cash transfers.

Morris: [laughs] Oh, my! So you can move the salary, and then move the person separately, if you want to.

Lucas: That's possible, that sort of thing.

Morris: Could I borrow that and photocopy some of those charts?

Lucas: Sure.

Morris: Because that's a very graphic demonstration of what we're talking about.

Lucas: Yes. There's a lot of other things in here, too, that you might be interested in. Sure.

### The Early Reagan Years

Morris: Fine. I will send it back to you. It's interesting, and undoubtedly coincidental, that this period we're talking about as a real expansion of the kind of rehab services which were so creative, was when Ronald Reagan comes into office.

Lucas: Right.

Morris: What was the impact when he became governor and he campaigned on, "I want to cut the budget," and he sent task forces into every department?

Lucas: As a matter of fact, we got a new director off one of those task forces.

Morris: Really? That's marvelous! Tell me about that.

Lucas: Okay. Where shall we start on this? When Ronald Reagan became governor, Warren Thompson was our director. They did have a task force to look at our department. They had task forces two different times, as a matter of fact. The task force came around and took a look at all the departments. What they were doing, what their contributions were, and so forth. The first director appointed by Governor Reagan to become our director was Bob Howard.

Morris: So Warren Thompson stayed on for a year or two?

Lucas: He stayed on for several months, maybe a year.

Morris: Because I came across Robert Howard as having been appointed to that in 1969. Does that sound right, or did I miss--?

Lucas: When did Reagan--?

Morris: Reagan took office in January of '67. Some people did stay on for a couple of years.

Lucas: He stayed on. I don't remember it being that long. It was more like six months.

Morris: Okay. Was he from the task force?

Lucas: No, he was not. He was in charge of the auditing department of L.A. County and was known as a management type. He became a very good director.

Morris: How did you accomplish that?

Lucas: He listened, and he was an intelligent man. He didn't make snap decisions. He just developed. He also had a good chief deputy director.

Morris: A career man?

Lucas: Yes. James Walker, Jimmy Walker. Anyway, the Reagan administration, as I said, had a task force; they did have their approach; they did have a special emphasis that was then given to all programs by the new directors. I'm sure Howard was appointed during Governor Reagan's first year.

Morris: I will double-check that. Your recollections would be better. I just looked it up in a roster.

Lucas: Anyway, Reagan came out with the A and B budgets. Every department had to develop an A and a B budget. No department could stand pat--

Morris: This was before the task force?

Lucas: This first budget.

Morris: This is the '67-'68 budget that would have been half-prepared when he came into office? You know, the staff work had all been done, and then--

Lucas: Yes.

Morris: The Governor was sworn into office, and then a week later he has to present the budget.

Lucas: I think it was the next budget.

Morris: The '68-'69?

Lucas: I'm not certain. But the idea was that every department had to submit an A and a B budget. Nobody could stand pat on their budget. You had to come in with an A budget reflecting a 10 percent cut and a B budget reflecting a 20 percent cut. And you had to show how much each budget cut would affect your program.

Morris: This was after Howard had become director?

Lucas: This was after Howard had become director. So we prepared both budgets.

Morris: Did Howard tell you this was the way it was going to be, or did you hear it from the governor's office?

Lucas: No, this came down the administration channel through the director, Bob Howard. Anyway, we were one of the few departments that ended up with a minimum 10 percent cut. I think a lot of the reason was that for very little state money we were able to accomplish a great deal.

Morris: Right. At this point, how heavy was your emphasis on the "help people get off the welfare rolls"?

Lucas: It was still strong. Both Bob Howard and the administration were quite aware of it. They were also aware of our cooperative program efforts. And, as a matter of fact, as the Reagan administration went on, then [Reagan's] lieutenants pushed and pushed us to get into more cooperative programs, so that there would be a minimum of state money that would have to go into our budgets. But what this meant was that we virtually maintained the same state contribution to our budget all along. Because there was a maintenance of effort requirement of the federal government. You couldn't lower the state contribution without severe penalty.

Morris: In order to keep getting the federal funds?

Lucas: Yes. You couldn't do that. But you could bring in new funds to match new federal funds. This reinforced the need for more cooperative programs. So, as a matter of fact, [Reagan] forced the Youth Authority -- not he, his lieutenant -- to further develop our cooperative program with them.

Morris: Would that be the agency director?

Lucas: Earl Brian.

Morris: Forced the Youth Authority to do what?

- Lucas: He forced the Youth Authority and the Department of Corrections to transfer some of their budget over into our budget for vocational rehabilitation purposes.
- Morris: To be done in their institutions?
- Lucas: Yes. But he actually took state money out of their budget and put it into our budget. Then we matched it with federal funds, and we paid the salary of the Youth Authority people in our cooperative programs to make up the money that they gave us.
- Morris: Is that the same thing again, the same people doing the function, but they were paid from Rehab budgets rather than Corrections budgets?
- Lucas: Yes. But we did keep on them, and they did change. They changed their function.
- Morris: You provided the same service with them?
- Lucas: Yes. But they did change their function. There's a lot of ways of being able to do that. It is possible to carry out a custodial function and at the same time provide a vocational function.
- Morris: The same staff?
- Lucas: For example, a correctional officer out there in the institution is responsible for a certain number of inmates. He/she can direct the counseling and activities of the inmates towards vocational pursuits at the same time that he's guarding them.
- Morris: Yes. In fact, you could even argue that it's a creative way of watching somebody. You're doing something constructive.
- Lucas: We think it is.
- Morris: --with them instead of just standing over them with a rifle or whatever the alternative would be.
- Lucas: Right.
- Morris: Let me change the tape.

##

#### More on Prison and Hospital Programs

- Lucas: I may sound a little negative on the cooperative programs but honestly, I think they were one of the best things that happened to us.

Morris: It sounds like a very creative partnership.

Lucas: Yes, it was very much. In the prisons, for example, the inmates were always talking about, "What am I going to do when I get out of here?" It was more of a constructive thing. You had people who were actually vocationally preparing themselves better while incarcerated. You had our counselors coming in and telling inmates what vocational opportunities were on the outside and what employers were demanding. It was, as you say, very, very creative. I think it gave a lot of new hope to a lot of people, especially the people who were younger and did have vocational ambitions.

Morris: Prior to this kind of a push that Rehab made because there was federal money available, what had the prisons and the state hospitals done in the way of educational and job related experience?

Lucas: It was very limited. In the prisons a lot was spent in just the prison industries themselves and the necessity to get the job of operating the prisons done, rather than to structure the work to get it done, but also at the same time prepare inmates for what the employment demands were going to be on the outside. So there is a difference in how they approached the job, and everything else.

As we went along, they began to expand the kind of services, or the kind of job opportunities that they would allow the inmates to get involved in. With patients in a state hospital, they'd let them get involved in more diverse things; for example, working more closely with the hospital personnel. Not just the undesirable jobs, but all kinds of jobs -- clerical, maintenance, gardening, laundry, food service, etc.

Cooperative programming also changed the attitude of the prison personnel and of the hospital personnel toward their own job and the overall rehabilitation concept. I think I used the following illustration with you once before, but I think I'll repeat it just to be sure. I remember up at DeWitt Hospital -- it's not operating now -- we went there to see how our cooperative program was doing, what influence we were having, and so forth. So one of the people escorting us around said, "I'd like you to see two wards." He said, "Now, the people in these two wards, their characteristics are exactly alike." They are all older patients who are senile and have various types of mental problems. He said, "My nurse that's in charge of this one ward is very much into the rehabilitation concept."

Morris: She was already on the staff?

Lucas: She was there already. She'd been influenced by the vocational rehabilitation programs. We went into her ward, and there wasn't a person in bed. There was activity of all sorts going on. There were people talking. There were people reading. They were people that were just involved in daily activities of living. And there were people that were wanting to go off-ward for various reasons.

He said, "Remember this ward. I'm going to take you next door."

So we went next door, where a traditional approach was being used. There may have been a dozen patients that were out of bed. The rest of them were in bed. Those not in bed were sitting around, not doing a thing, lethargic, nothing going on at all. We talked to the nurse and the other hospital personnel who were there. They complained about how much work they had to do for their patients, and how difficult it was to keep everything under control. They had to bathe and feed all their patients. In the other ward, the people were bathing and feeding themselves. The two wards were as different as night and day. Typically they were the same type of patients, but the rehabilitation focus of one ward made the difference.

Morris: So that in a sense, what your programs were doing was being kind of a training adjunct for the other departments.

Lucas: Stimulating them to become more rehabilitation oriented.



### III IMPACT OF REAGAN'S ADMINISTRATIVE PLANS

#### The Second Task Force; Proposed Decentralization of Vocational Rehabilitation

Morris: Do you remember what some of the recommendations of the task force that Governor Reagan assigned to your department were, if they were things you'd come up with yourself, or--?

Lucas: No. That first task force, I wasn't that familiar with it. I'd just come to the central office in Sacramento. I wasn't that aware of their recommendations.

The second task force-- Governor Reagan, when he won reelection, appointed another task force to go around and see what the departments were doing. I don't know whether most people know that or not, but they reevaluated all their departments and their directors.

Morris: Yes, I have come across quite a lot of material on what they called sort of a program planning workshop. The people in the governor's office, at least in the things that I was reading, didn't really want to call it a task force, but they did want to get out into the departments and do some forward planning, as to what ought to happen in the second term. This sounds like it's the same thing, 1969.

Lucas: Yes, I think it was either 1969 or 1970.

Morris: It was much more low-key. It didn't get all the newspaper publicity that the first one did.

Lucas: Right. Anyway, the task force went around in our department. They went out into the field offices and interviewed people. I don't know whether it's a result of the review or what, but anyway, Bob Howard was moved to another state agency and Alan Nelson was brought in as director of our department.

Lucas: Probably this shouldn't be in the notes, but that's all right. You can take it out if you want to. There were some personality conflicts within the department. There were two or three people that didn't agree with Bob Howard's approach to things. One was a medical consultant. Bob Howard was more vocationally than medically oriented. This medical consultant wanted everything patterned to the medical model, so there was a conflict. He provided some adverse input to some of the administrative people politically above Bob Howard. We all believed that this was the reason Bob Howard was removed. Whether it was or not, I don't know.

But anyway, Al Nelson did come in, and Al Nelson was a fine director. He was one of the best ones we ever had, in my opinion.

Morris: He came out of the first or the second task force?

Lucas: He was a member of the second task force.

Morris: And had he been in this kind of profession?

Lucas: He had been acting director of the Department of Employment. He was a lawyer. He went to school with Ed Meese. Very, very nice and capable fellow. As a matter of fact, he is now commissioner of the Immigration and Naturalization Service.

Morris: Of the San Francisco office or nationally?

Lucas: Nationally. He's the top administrator.

Morris: A lawyer; he'd gone to law school with Ed Meese?

Lucas: University of California.

Morris: Boalt Hall?

Lucas: Boalt Hall, yes.

Morris: You mentioned on the telephone one time that there was a Dr. Verne Nickel, who--

Lucas: Okay, that was in relation to Bob Howard. Verne Nickel was the medical director of Rancho Los Amigos. That's down in Los Angeles, part of the L.A. County hospital system. They had a strong medical rehabilitation program down there. Most of the polio victims in southern California went there for rehabilitation. Dr. Nickel was a fine doctor and very interested in rehabilitation.

Anyway, he knew Bob Howard. Bob Howard had done an audit of Rancho Los Amigos.

Morris: And Rancho Los Amigos is a county program?

Lucas: Rancho Los Amigos is a part of the L.A. County hospital system. Very important part. Anyway, Dr. Nickel was a strong supporter of the Republican administration. When they were looking for people to be directors and so forth, he suggested Bob Howard. So Bob Howard [became director].

Morris: That's interesting. That's not the first time that I've heard of people who were well thought of in local government, city and county government, being consulted or having a real input into what the Reagan decisions were at the state level.

Lucas: Well, remember this always with Reagan, his drive is to return as much control as he can to as local a jurisdiction as possible. This was true also in state government. They looked at our department at one time as to whether or not it could be decentralized and given to the counties or cities.

Morris: And having fifty-eight county rehab departments rather than one state--

Lucas: And they cast it aside, but it was considered at one time.

Morris: What did you people in the department think about that idea?

Lucas: We thought it was lousy. [laughter] And we told them so. You expressed it right, fifty-eight different programs and subject to local politics, every one of them.

Morris: True. But, you know, that's kind of the dynamic. Having been observing at this point twenty or thirty years of California government, and talking to people like yourself, there's this constant tension back and forth between, "We can do it better at the local level because we really know what our people need," and then citizens getting together and saying, "We can't deal with fifty-eight programs. We need to have it at the state level so we have standards and guidelines and all that kind of thing."

Lucas: It's kind of interesting what happens. I'll tell you at the federal level what just recently happened. I was amused by it. When the new Reagan administration came in back in Washington, there was a movement afoot to get rid of the Rehabilitation Services Administration. Especially at the regional level, and that's where I was assigned, at the San Francisco regional office. The states would all complain about the federal government; "Give us the programs," and so forth.

Then when the federal administration started to seriously consider this, the states began to say, "We need RSA because if we didn't hve RSA, then our state legislature would never live up to the

- Lucas: state plans to which they've previously agreed. We need somebody coming in here. We can't fight with our state legislators. But if somebody outside comes in and says, 'Hey, you're not doing what you're supposed to be doing according to your state plan,' then they're doing our job for us." It was kind of interesting when that came about. They were all then very, very strongly in favor of regional offices.
- Morris: When you were in the state department, did you find that the regional person was helpful to you? Was that a Californian who'd ended up--?
- Lucas: Only to the extent that this individual would say to the legislature or top administration, "You can't do this. You can't--."
- Morris: You dealt with the regional office rather than going all the way to Washington.
- Lucas: Oh yes. And, you know, in all grant-in-aid programs you've got to submit a plan that says I will do this, this, this, and you agree to certain standards that have been set up by the Congress. Then you're monitored by the federal program people.

#### Plans to Create a Department of Manpower

- Morris: Did this second task force that you've been talking about feed in at all to this kind of planning that the department was doing?
- Lucas: The big thing that came out of the second task force was that maybe there ought to be a new department of manpower, in which they would merge the Department of Employment and the Department of Rehabilitation. So for a year and a half, we worked on legislation on how this might be done. The department staff itself wasn't enthusiastic about it. Except for Al Nelson.
- Morris: Who had been in the Department of Employment for a while.
- Lucas: Yes. But this was the charge that was coming out of Earl Brian's office. He was picking it up from somebody over in the governor's office. Who, I don't know.
- Morris: That was what I was wondering. Brian was working with people in the governor's office, and Ed Meese was executive secretary; was there--?
- Lucas: There were some others over there, too.
- Morris: They had a program planning unit. Did they come out and have any contact with you people at all?

Lucas: I don't know. But as the task force went around to the field offices, they would contact other local agencies. They would pick up a misconception that there isn't that much difference between the Department of Rehab and the Department of Employment. They're both in the business of getting people to work. The difference being that we happen to be working with disabled people. There was a lot of dissatisfaction with the approach of the Department of Employment, because they were not oriented to individual needs. They were always oriented to the mass needs of people.

Morris: Well, and to the employer's needs rather.

Lucas: Right.

Morris: They also had heavy ties, financial ties, to the federal--

Lucas: Department of Labor.

Morris: Yes. Rather than relating to individual things in California.

Lucas: The thing that Earl Brian's staff told us, whether or not they were trying to sell us on the merger, was that the Department of Employment needed to take our ideas about being client-centered and goal-oriented and to work on programs that are directed in that way. Employment had a lot of CETA [Comprehensive Employment and Training Act] programs, and they had a lot of MDTA [Manpower Development Training Act] programs.

Morris: And a whole bunch of OEO [Office of Economic Opportunity] things, like a lot of job training programs.

Lucas: Yes. And at that point in time, they weren't so much oriented to "real jobs." There was a lot of -- you've heard it said -- makeshift and all this sort of thing. So anyway, they thought if they put these two departments together and took the good parts of both of them and keep them together, then the new department would be strong.

So they thought in terms of a department of manpower.

Morris: How did Alan Nelson feel about that idea?

Lucas: Alan Nelson was a governor's appointee, so he was behind it, of course. I must say, I was the co-chair of a special task force, and we looked at it very objectively. We had to work on the legislation; we made sure that all the safeguards were in there that would maintain the integrity of the program for the vocational rehabilitation of the disabled people. It was just one thing after another that we had to keep being sure was in the legislation. So finally they just gave it up.

Morris: The administration?

Lucas: Yes. They said, "It won't work."

Morris: Did the bill actually get introduced?

Lucas: Oh yes.

Morris: Who carried it?

Lucas: I don't know whether I still have that proposed legislation or not with my papers. That might have been one of the things I threw away from my personal files. I think maybe it was state senator Bill Greene.

Morris: From Los Angeles.

Lucas: Yes.

Morris: Reluctantly or with enthusiasm did he carry it?

Lucas: All I know is that Earl Brian was always trying to wrap him around his finger, and Bill Greene wouldn't be wrapped.

Morris: He's the big black fellow, isn't he?

Lucas: Yes. I was so pleased with Bill Greene. I think that he was probably put on there -- there were a lot of co-sponsors, if I remember correctly -- specifically to protect the rights of the disabled people. Because our program could get swallowed up, we were so small compared to Employment.

Morris: Did you go and testify in the committee hearings?

Lucas: I didn't testify because I was on the task force, but we had a lot of things to say to the people who were presenting the bill.

Morris: Would you say that the committee hearings might have made it evident that people in the department were not terribly happy with the idea?

Lucas: The department couldn't take that position at all, because our director was supporting it. But what did happen was that the disabled people put on quite a show in front of the legislature.

Morris: Really?

Lucas: Yes. [laughs] I remember one funny incident. Great big packed room and everything. Al Nelson had a chart that showed this maze of government, all the federal, and then the state, just a maze of it.

Lucas: This had come from somebody else's publication showing all the government influences, and so forth.

Morris: It could be just a state organization chart.

Lucas: And then at the bottom of this chart it narrowed down to a person who was to be served. So Nelson presented that and how they were trying to cut through all the different bureaucracies. It did make sense to try to cut out all the organizational mess and everything.

So anyway, the chairman of the subcommittee then threw the hearing open for comments. This one mentally retarded kid got up to comment and said, "I would like to see, could I have that chart that Mr. Nelson had?" So he got it and placed it on the pedestal, and he said, "You see all that there, and here I am down here. Now, what I want to do is, I want to turn this chart up-side-down. I want to be on top." [laughter]

Morris: Oh my, quite a telling point.

Lucas: Yes, it was funny but impressive. But anyway, there were a lot of people, a lot of blind people there. The organized blind were in support, because they were going to have a special division in the new department of manpower; they were there testifying for it. The blind are influential with legislators.

Morris: They're the oldest group of people with special needs who have special programs, aren't they?

Lucas: Right. And of course, there were a lot of quadraplegics and paraplegics in wheelchairs testifying against the proposed legislation. Pretty hectic days.

Morris: In general, did you spend a lot of time working with these volunteer organizations and the disabled-friends-of organizations?

Lucas: Sure.

Morris: They're important to the way the legislature votes?

Lucas: Oh yes, on any legislation that's controversial, you'd better involve them, you'd better talk with them.

Morris: Does this grow out of the neighborhood councils and local councils, the social-planning things you were talking about?

Lucas: Oh, there would be a certain amount of that. Certainly CIL was in on all these discussions. I would say it's the formal organizations that are recognized the most in state legislation.

Morris: But did those organizations increase in size and number as this program developed, the rehab program?

Lucas: I don't think so. Well, they might have in numbers, because as you begin to bring the rehabilitation programs closer to the community, the more you get the community interested, and the more groups would form.

Morris: I'm trying to get a picture of how the communities function and fit in relation to what official state agencies are doing.

Lucas: Okay. Your local groups more often are not working with the headquarters staff of the state offices of the department, not in Rehab. They're going to reduce the number, but in Rehab right now there are twenty-six districts with district administrators. And they're pretty autonomous. They follow state rules and regulations set by headquarters staff and all this sort of thing, but they have their district personnel, they have a district budget. They run their program. So it's the local district administrator and staff that's working with all the local groups.

You take any formal organizations, like the Heart Association, anything like that, it's generally those people at the local level who are the doers. You do have the state offices, but they're more coordination than anything else.

Morris: The doers are more at the local level?

Lucas: Yes.

Morris: That's interesting. One article I read suggested that the Vietnam veterans, particularly the ones with handicaps, were a real boost in this whole thing. Was it because there were numbers of them needing rehabilitation services, physical and vocational?

Lucas: To be real honest with you, I was never aware of the Vietnam Veterans as a separate organization or anything of that sort.

Morris: Or just of numbers of people with war-related disabilities?

Lucas: No. They might have been more with the Veterans' Administration and their rehabilitation programs than the state agencies.

Morris: That's useful to check out.

Lucas: But as a group, they didn't have strength or anything of that sort over the vocational rehabilitation program administered by the state.



Influence of Agency Secretaries

Morris: You mentioned a little bit about Earl Brian. He was the third in a long list of human relations secretaries. Spencer Williams was the first one.

Lucas: In the Reagan administration Spencer Williams, yes. There was a fellow by the name of Hall, Jim [James M.] Hall, I think, that was next. And then I think there was--

Morris: There was a guy named Vandegrift, Lucian Vandegrift, for six months or so.

Lucas: Yes, Lucian Vandegrift. The very first one, I think, under [Edmund G., Sr.] Brown, was Winslow Christian. When we became a department, our bureau chief, Andy Marrin, very much wanted to be the new director, [but] Winslow Christian went out and recruited nationwide.

Morris: Gee!

Lucas: Warren Thompson came in as a result. He was our first department director. But I remember Andy saying he got a "Christian burial."  
[laughter]

Anyway, as you know, the superagencies were started by Papa Brown. His idea initially was that there were going to be eight superagencies. The reason for that was to cut down on the number of people that the governor's office had to relate to. So their function when they first started was housekeeping and coordination of the departments and commissions and boards under them. Initially they started off with, I'm sure, no more than four or five people.

Morris: Right.

Lucas: At one time Earl Brian, and of course [Mario] Obledo later, had in excess of eighty people on his staff. They became more than coordinators. They became directors, policymakers, and we were always having federal people objecting to that sort of thing, because the sole state agency is supposed to be only the vocational rehabilitation program itself, and not one of these--

Morris: They had a problem with an oversight agency?

Lucas: Yes.

Morris: That's a lateral coordination rather than a vertical one.

Lucas: Right; supposedly.

Morris: Brian had as many as eighty people on his staff?

Lucas: Nobody knew it. Officially you didn't see it, but there were borrowed positions, borrowed people. The Health and Welfare Agency just grew and grew and grew and grew.

Morris: Did he have some of those [people from agencies that were] supposed to be specially working on rehab kinds of things?

Lucas: No, wait a minute. Maybe Brian had more like thirty or forty, and Obledo had seventy-some, eighty.

Morris: It grew some.

Lucas: It just grew.

Morris: Then after Brian, there was Jim Jenkins, between Brian and Obledo.

Lucas: Yes, well, that didn't last very long. I hardly knew he was there.

Morris: Really?

Lucas: Yes.

Morris: But it sounds like, of them all, Christian, because he was the first agency head, and Brian were the ones that had the most impact on how the department actually functioned?

Lucas: I would say that Brian, yes, Earl Brian. And Obledo, later Obledo.

Morris: Were Brian and Obledo similar at all in their styles?

Lucas: Well, they're similar in their power, the holding of the power. But as far as demeanor, entirely different people.

Morris: Yes, representing totally different political--

Brian: Obledo, at least to the public, was an apologetic sort, and Earl Brian was a take-charge guy.

Morris: Brian was very young, too, wasn't he?

Lucas: Oh yes. He was thirty-two or something like that.

Morris: Was that a problem, that here was a really young fellow who was in a position above a lot of people with a lot more time and service and experience?

Lucas: No, I wouldn't say the age had anything to do with it. He was a pretty intelligent guy. It just was his policies and practices that people didn't like.

Morris: How much of it could you get a sense was Brian himself, and how much of it was the Governor through the cabinet as a whole?

Lucas: We always felt that Brian usurped more power than he actually had given to him. He was one of those type of fellows. I remember him saying one time that the way to get the most work out of people is to keep them upset, feeling insecure, and if he couldn't do it any other way, he'd go and change their offices overnight.

Morris: You mean move the furniture around in the office?

Lucas: And reassign them, yes.

Morris: Holy cow!

Lucas: When he was chief of the Department of Health Care Services, that's the way he operated as director.

Morris: Yes?

Lucas: Yes.

Morris: He read a different management manual than you did.

Lucas: Oh, you bet.

##

Morris: He was secretary of Health and Welfare in '71, when there was this big thing about, "We're going to do something about the welfare and the Medi-Cal, reform them all." How much impact did that have on your department and what you were trying to do?

Lucas: I don't think it did.

Morris: They didn't expect you guys to pick up the slack and try to reduce the welfare rolls?

Lucas: No. I really can't say it had any influence on it. You know, he [Brian] didn't stay clear out to the end.

Morris: No, he quit to run for Senator in '73.

Lucas: Yes. Then [Dwight] Geduldig succeeded him.

Morris: As head of the Department of Health.

Lucas: Part of the time that we were doing the department of manpower bit, he was the director of the Department of Employment. Then he went over and became assistant to Earl Brian in the Health and Welfare Agency. Then, when Earl Brian left, I think he was acting for just a short time.

Morris: Okay. I'll track that down. He's a medical doctor, isn't he?

Lucas: I don't know. "Speed" was his nickname, "Speed" Geduldig. He was a straightforward guy. I liked him, frankly, although I didn't agree with him all the time. But he was a straightforward guy.

Morris: Is it difficult for a person with medical training to deal with the nuts and bolts of administration?

Lucas: I don't think the profession has a thing to do with it, very frankly. Well, it has something to do with it, but I think it's more the person himself. Dr. Sedgwick Mead, director of the Kaiser Rehab Center, was such a wonderful program person, and a capable administrator as well.

Morris: He could make things run smoothly and keep people working together and get things done?

Lucas: Oh, he had everybody totally committed, I'll tell you.

## IV CONCLUDING THOUGHTS

Working with Advisory Boards

Morris: If you've got a little more patience, I'd like to ask you about-- you said you had an advisory board, state rehabilitation board?

Lucas: Yes.

Morris: How did they function? Did you use them to deal with the public-opinion kind of thing, or get ideas from them?

Lucas: They were used in various ways. They were always used in the department as advisory and not as directive.

Morris: No policy function?

Lucas: [No.] Their advice would be requested, and this was true under any of the directors we had. But then they never said, "Mr. Director, this is what you've got to do." Or if they tried to do it, the director wouldn't accept it. I think they were all that way.

Morris: Were they governor's appointees or directors'?

Lucas: They were directors' appointees subject to approval of the governor's office.

Morris: That's different from things like the State Board of Public Health and the Social Welfare Board. Those are governor's appointees.

Lucas: Yes.

Morris: But then there are others that are--

Lucas: Yes. I don't know who actually gives them the appointment, where the papers come from; whether it comes from the director or whether it comes from the governor's office, but I always know that in our department, we were the ones that recommended people.

Morris: That's what I was after. Did you have lots of candidates, or was it a chore to find somebody you thought would really be comfortable?

Lucas: No, there were a lot of candidates. Directors were always fooling around with the make-up of the advisory board, according to how they wanted the program to be directed. Al Nelson was very, very interested in increasing the number of people served and rehabilitated, so he had a lot of employers on his advisory board, representatives of companies.

Morris: I see, to carry the word out from the department.

Lucas: And to give it the business influence. They were all very good people. There was Harry Orchard from IBM, for example, Bill Kugler from Western Electric, Bob Hansen from the telephone company, and some people from the aerospace industry. We had a doctor or two. We had representatives from a couple of associations. I think we had a person from the Federation of the Blind and a representative of the California Association for the Deaf. It would vary from director to director. Like Ed Roberts, he wanted more advocates.

Morris: He was looking more for client groups.

Lucas: Yes. Client groups, consumers themselves.

Morris: I hadn't thought about it that way before. The people that Al Nelson brought in from industry to serve on the board, could you identify whether they were indeed able to make an impression on employers or whether they would encourage their own companies to employ more disabled people?

Lucas: Yes, they could. Their own companies, and they would also work with other employer groups. But you had to select the kind of people that were interested in doing that.

Morris: Did you have to twist their arms to serve on the board?

Lucas: I don't think so.

#### Some Thoughts on Ronald Reagan

Morris: You also mentioned that Mr. Reagan used to come around occasionally while he was governor and visit the department, things like that.

Lucas: I don't think I ever saw him in the department himself. But I saw him visit some of his commissions and boards. He always made it a practice to come around to their meetings in Sacramento.

He had meetings once a month in which he brought in all his department directors.

Morris: That's the governor's council session?

Lucas: No, I think these were just directors, department directors.

Morris: How did you find those?

Lucas: I didn't go to them. Our director went to them.

Morris: He wouldn't take turns and send some of his chief staff?

Lucas: Oh no, unh-unh! Not to something that important.

Morris: Really?

Lucas: Oh no.

Morris: There's a lot of stuff in the Reagan papers at Hoover about management forums and management bulletins and things like that, that sounded like they were really, in the governor's office, looking for ways to stay in touch and get ideas from and to the people at the various managerial levels.

Lucas: I think he would try to channel two-way communications. I think he channeled it through his secretaries of the superagencies and then through the directors.

Morris: Did any of these management bulletins ever turn up on your desk or on the bulletin board in the department?

Lucas: I can't recall, but I would guess they did.

Morris: But you don't remember them?

Lucas: I don't remember.

Morris: I'm just kind of doing a little spot check.

Lucas: [laughs] I don't remember.

Morris: When you say he'd turn up at the task force meetings, was that regularly or to open them? Did he sit in on entire sessions?

- Lucas: He'd just make an appearance so that he could exchange salutations and greetings.
- Morris: And give a pep talk?
- Lucas: A little pep talk, two or three minutes, something of that sort.
- Morris: So it sounds like, aside from the directors, he didn't have actually all that much impact on what the department had in mind to do.
- Lucas: I think--well, I don't know how he worked with his own immediate staff, but his immediate staff would carry the word out.
- Morris: The [agency] secretaries.
- Lucas: Yes. And then his own immediate staff, like Meese and other people, legal counsel, appointments secretary, and so forth. They would very often work with the secretaries of the superagencies.
- Morris: I see, so that they had some input, too, into what happened at the department level.
- Lucas: Yes.
- Morris: It's a fascinating combination of what sounds like really new directions in the whole field of rehabilitation.
- Lucas: Yes. Reagan was very good, I think, in delegating authority and responsibility. He was an Eisenhower type in that sense. I think Reagan comes on stronger about his expectations and his beliefs and the way he wants things directed. But I think after he does that, he allows people to operate.
- Morris: To do what they want.
- Lucas: Yes. To achieve those goals. That's the way he was in the state. At least, that's my perception. And I was a long-time Democrat, and I said, "How in the hell did we get into this mess of electing a movie actor?" [laughs]
- Morris: You changed your mind, then, between the time he was elected and then working under his direction.
- Lucas: Yes. He learned a lot in California, I think.
- Morris: Do you see signs of the kinds of things that you saw develop in California being part now of how he functions as president?
- Lucas: I think I do from the standpoint that he'll select a goal, and he'll let you know what it is. His loyalty was pretty strong in the state, and it seems to be now, too. He's very budget-minded. Of course, he's



Lucas: very concerned about the military and what he wants there, but I can't be a judge of that either. Maybe he sees something that we don't see. He'll stick to his viewpoints.

Morris: It's interesting that he and his people make a distinction-- You were telling me about the budget cuts in his first administration, that the Rehab department took smaller cuts, which means that there was some discrimination in terms of what different programs were doing.

Lucas: Oh yes. He's very much interested in results. Very much. Always was.

Morris: Are there any things that you felt were important in the programs that the department was developing in the '60s and '70s that you haven't had a chance to comment on?

Lucas: I was telling you about cooperative programs with the hospitals and prisons. It was equally important with school districts, too. We were involved with special education, the school districts; got into changing some of the functions of some of the schoolteachers so that they were more vocationally oriented, started work-experience programs in a lot of schools. I think we made a lot of lasting impact with the schools.

Morris: That's interesting, because you said that the department originally came out of the Department of Education.

Lucas: Right.

Morris: It had been a vocational--

Lucas: Right. Yes, at one time we were a bureau in the Special Schools and Services Division in the Department of Education. Then when our new department was formed, that ended our direct affiliation with the Department of Education.

Morris: Thank you for a very interesting interview.

Lucas: Let me know if you have any further questions on which I might give you an answer.

[End of Interview]

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